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UNITED STATES DEPARTMENT OF AGRICULTURE
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U. S. Department of Agriculture

By virtue of the authority vested in the Secretary of Agriculture by the United States Warehouse Act, approved August 11, 1916 (39 U. S. Stat. L., p. 486), as amended, I, Arthur M. Hyde, Secretary of Agriculture, do make, prescribe, publish, and give public notice of the following amendment of the regulations of the Secretary of Agriculture for cotton warehouses, promulgated April 27, 1931, under said Act, such amendment to be effective immediately.

Amend Regulation 4, Section 1, Paragraph 2, to read as follows:

"Every receipt, whether negotiable or nonnegotiable, issued for cotton stored in a licensed warehouse shall specify a period, not exceeding one year, for which the cotton is accepted for storage under the act and these regulations, but, upon demand and the surrender of the old receipt by the lawful holder thereof at or before the expiration of the specified period, the warehouseman, so far as the available capacity of his warehouse then permits and upon such lawful terms and conditions as may be granted by him at such time to other depositors of cotton in the warehouse shall, if he then continue to act as a licensed warehouseman, either extend the old receipt by making an appropriate notation thereon or issue a new receipt for a further specified period not exceeding one year. Further extension of the storage period may be made annually by appropriate endorsement or by issuing a new receipt, provided it is first determined by the warehouseman that the cotton has not deteriorated and if it has that proper notation of the changed condition be made on the receipt, and provided the warehouseman's license is still in effect."

In testimony whereof I have hereunto set my hand and caused the official seal of the Department of Agriculture to be affixed in the city of Washington this 28th day of November, 1931.

Arthur M. Hyde

Secretary of Agriculture.

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

March 18, 1933.

MEMORANDUM FOR WAREHOUSEMEN AND GRAIN INSPECTORS LICENSED UNDER THE UNITED STATES WAREHOUSE ACT

Gentlemen:

There appears to be some misunderstanding as to the use which may be made of an inspection certificate issued by an inspector licensed under the Federal Warehouse Act. Such an inspector is licensed -

1. To determine the grade of the grain before it is stored in the elevator;
2. To determine, when making delivery of the grain from the elevator, that grain of the grade called for by the warehouse receipt is being delivered, and
3. In each instance, whether the grain is in-bound or out-bound, to issue a grain inspection certificate, under the Warehouse Act.

In other words, inspectors under the Warehouse Act are licensed

1. For the purpose of enabling the elevatorman to put grain of each grade in bins, with grain of the same grade,
2. To check the grain from time to time to determine that it is not going out of condition or changing grades while in storage, and
3. To inspect the grain for the warehouseman at the time he is making delivery to make certain that grain of the grade called for by the surrendered receipt is actually being delivered.

On the occasion of each inspection a licensed inspector is authorized to issue the prescribed inspection certificate showing his determination of the grade of the grain.

The certificates issued by the inspector are for the benefit of the warehouseman, the holder of the receipt, and the person who has surrendered the receipt for delivery. <u>They must not be used for purposes of accomplishing sale of the grain.</u> Certificates issued under the Grain Standards Act are the only certificates that can be recognized for that purpose in connection with grain moving in interstate or foreign commerce, and the Grain Standards Act makes the use of such certificates mandatory.

This memorandum is written in the hope that it will once and for all inform each licensed grain warehouseman and each inspector licensed under the Warehouse Act on the proper functions of such licensed grain inspectors and the purposes for which certificates by such licensed inspectors may be used.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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April 6, 1933

MEMORANDUM FOR FEDERAL LICENSED EGG GRADERS:

For many years the New York market has been supplied with large quantities of white eggs from nearby sources of supply and from the Pacific Coast. These eggs are of very fine interior quality and are very closely graded for shell condition and color, also for size or weight, with the result that eggs which command the highest market price must meet certain very strict technical candling and grading requirements.

During the last year at a number of shipping points effort has been made to candle and grade eggs so that they would comply with the exacting requirements of the New York market and command the highest market price. This statement is prepared for the purpose of presenting a clear explanation of the proper application of the U. S. Standards and Grades so that eggs which are packed as U. S. Extras (Large) according to these Standards and Grades will meet the strict requirements of the New York market. The various factors of quality and packing requirements for U. S. Extras (Large) that need particular consideration will be discussed separately.

Shell Color: The New York market is very critical with respect to shell color. White eggs must be chalk white or very nearly chalk white. "Creams" and "tints" should never be included in a pack of U. S. Extras of chalk white color, but they may be included in the grade of U. S. Standards. When there are sufficient eggs of a cream or tinted color to pack separate cases, they should be packed separately and marked as such. In packing brown eggs, the light brown and the dark brown should be separated. When there are not sufficient light brown eggs to pack a separate case, they should be included with the creams and tints in the pack of U.S.Standards. Grading for uniform shell color and condition cannot be done satisfactorily in a dark room

only of the candle light. It should be done in daylight or under a "blue" light. Shelf grading for color and weight is to be preferred to the bench method and where two or more candlers are required by the bench method, the greater advantages of the shelf method should be considered. In fact, it is impossible, except in daylight or directly under a lamp, to select out the creams, tints, slight stains, washed eggs, eggs that have appearance of having been washed or are shiny and should not be packed in a case of white or chalk white U. S. Extras.

Egg Shape and Shell Condition: Eggs which are not normal in shape and of a sound normal condition should not be included in the grade of U. S. Extras but should be placed in the grade of U. S. Standards.

Interior Quality: The New York market is very technical on the question of yolk visibility and yolk mobility. Eggs which show a visible yolk or a freely mobile yolk are strenuously objected to in the grade of U. S. Extras. In candling eggs at shipping point it is highly important that only those eggs be packed in the grade of U.S. Extras which from the standpoint of yolk visibility and yolk mobility are fully within the requirements of U. S. Extras. "Line" eggs and those of doubtful interior quality for U. S. Extras should always be placed in the U. S. Standards. The grader of U. S. Extras at shipping point should attempt to have them grade 100% U. S. Extras or better.

Air Cell Size and Appearance: Age in an egg is often evidenced by the size of the air cell and the darkened appearance of the lower membrane of the air cell. All eggs at shipping point which show an extreme condition for U. S. Extras in either the depth or a darkened lower surface of the air cell should be placed in the U. S. Standards.

Size, Shape and Weight: Eggs which meet the strict requirements of the New York market for U. S. Extras (Large) should weigh not less than 45 pounds net per case nor less than 56 pounds gross. In fact, during the

spring season when the laying hens are mostly all mature and the number of eggs of medium size is limited, the trade prefers those cases which weigh 2 or 3 pounds more than the minimum mentioned. To obtain these weights, it is necessary that a 23 ounce minimum for individual eggs be used. Eggs which weigh at the rate of 22 ounces per dozen or less are objected to very strenuously in the grade of U. S. Extras (Large). Even eggs which barely meet the minimum of 23 ounces are frequently considered too small for the grade of U. S. Extras (Large). Appearance from the standpoint of uniform size, shape and color is a factor of very great importance. A pack of eggs which does not present a pleasing and satisfactory appearance from the standpoint of shell color and uniformity in size, is greatly handicapped. The shell condition must be sound, and all rough, thin and other abnormal shell conditions are objected to in the grade of U. S. Extras.

Egg Case, Fillers and Flats: The buyer of a case of eggs of fine interior quality, large size and uniform shell color and shell condition, has a right to expect, and in the New York market he demands, that the eggs be packed in a clean, sound case (preferably new) and in clean, sound packing materials. The fillers and the flats must be absolutely clean, free from dust, dirt and stains, else they will discolor the shell of the eggs. Used or second-hand packing materials are always likely to be dusty, dirty or stained. Therefore, they should not be used unless they are clean and absolutely sound. The trade does not object to a "once-used" case, provided it is clean and sound and free from previous brand marks and old labels. The ends of a case containing eggs of the grade of U. S. Extras should be clean and printed with the brand and stamped with the grade, size and shell color, or should bear a brand label on which is stamped the grade, size and color of the eggs.

Gummed Paper Tape Seal: At most egg grading stations where eggs are packed under Government grade, a two-inch gummed paper tape approximately 49 inches in length is placed crosswise the inside of the case after the first or bottom flat is placed in the case, the ends of the tape coming up on each side of the case so that when the packing is completed the two ends may be brought across and sealed by moistening one end which is lapped over and pressed down on the other. At most grading stations the tape is stamped with the official grade stamp after it is sealed by inserting a thin board under the tape at the place the stamp is applied. This method of sealing each half of the case with a gummed two inch tape strip has several advantages - (1) It prevents substitution of eggs of inferior quality for those placed in the case at shipping point. (2) It identifies the grader and date of grading. (3) The tape with the stamp upon it insures a certain degree of dependability of the grade and pack. (4) When the eggs are cartoned direct from the case, the sealed tape strip around the fillers and flats in each end of the case enables the eggs in each end of the case to be transferred to an open-side case by two simple operations. The eggs in each filler may be transferred (with an egg fork under the filler) three dozen at a time into cartons. The unbroken tape strip holds the five fillers and the flats intact during the transfer operation and two persons in 3⅓ minutes can effect the whole operation of transferring the eggs into the open-side case, packing them from the open-side case into cartons, closing each carton and sealing with a certificate of quality and packing the cartons back into cases ready for the delivery wagon. Close candling and proper grading at the shipping point makes recandling at the terminal market unnecessary, thus reducing the expense of terminal market handling by one to one and a half cents per dozen. By packing the eggs at shipping point into cartons

which adequately protect them from breakage and deterioration in transit, the expense of terminal market recandling and cartoning is eliminated and also the costs of fillers and flats for the shipping cases except for two flats on each side of the case, one on top and one on the bottom, to give added protection and provide a tight pack.

Eggs Packed in Dirty Fillers and Flats Should Not be Stamped with Official Grade Stamp: When dirty, dusty, soiled or otherwise unclean fillers or flats are used in packing eggs other than U. S. Trades, U. S. Dirties and U. S. Checks, or the condition of the fillers, flats or cases is such as to cause breakage, injury or soiling of the eggs, graders licensed by the U. S. Department of Agriculture should not stamp the cases or the gummed tape seal on each half of the case with the official grade stamp. This is very important because at a number of grading stations recently, soiled and dirty fillers and very dirty flats have been used in packing eggs which resulted in the eggs becoming soiled and dirty and of such a condition that they have to be classed as of a lower grade. Graders should at all times thoroughly inspect the packing material used and also the cases and wherever the packing material or cases are not in a clean, sound condition, neither the cases nor the gummed tape seal should be stamped with the official grading stamp.

Respectfully submitted,

Specialist in Charge
Division of Dairy and Poultry Products.

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May 15, 1933

MEMORANDUM FOR LICENSED CANNED FOODS
WAREHOUSEMEN, INSPECTORS AND GRADERS.

Gentlemen:

Enclosed herewith are the following indicated copies of Service and Regulatory Announcements which contain United States Standards for the canned commodities listed:

No. 138 Grades of Canned Corn--Whole-Grain Style

No. 139 Grades of Canned Corn - Cream Style

No. 140 Grades of Canned Peas

No. 141 Grades of Canned Tomatoes

No. 142 Grades of Canned Snap (or Stringless) Beans.

Since all of the Canned Corn (Whole-Grain and Cream Styles), Peas, Tomatoes and Canned Snap or Stringless Beans graded for the purposes of the United States warehouse Act must be graded in accordance with the standards described in these circulars, you will please read them carefully.

Very truly yours,

H. S. Yohe,
In Charge, Administration
United States Warehouse Act.

Enclosures

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May 25, 1933.

MEMORANDUM FOR LICENSED CANNED FOODS WAREHOUSEMEN

Gentlemen:

It is common practice for brokers and wholesalers to frequently ship labels to a canner to place on goods which they have bought from the canner. Sometimes this practice is carried to the warehouseman also. Many of these labels frequently do not represent the facts. For instance, it is not uncommon for labels to represent the product to be Fancy or some other grade when as a matter of fact it is nothing but a Standard and a poor Standard at that. This is clearly mislabeling, and under the misbranding clause of the Food and Drugs Act is prohibited. A question was recently raised here in the Department as to whether, if a warehouseman should attach such labels to canned foods and the labels did not truthfully represent the contents, he would be liable. The opinion that was furnished was that the warehouseman would be liable with the wholesaler or jobber. We are bringing this matter to your attention so that in the event you are asked to attach labels to canned foods which may be stored in your warehouse you will be doubly certain that the labels do not misrepresent the contents. Otherwise you are liable to be in trouble with the Food and Drug Administration.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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U. S. Department of Agriculture

June 26, 1933.

MEMORANDUM FOR LICENSED FIELD WAREHOUSEMEN

Gentlemen:

A few instances have come to my attention recently where it would appear that neither the licensed field warehouseman, nor his custodian or assistant custodian, are visiting their warehouses sufficiently frequently. In our opinion either the licensed warehouseman or his custodian should visit every licensed field warehouse at least once a week to see that the warehouse has not been fordibly entered, that the roofs are not leaking or may have been partly blown off by storm, and that the goods are in proper condition. It will not do for a warehouseman to lock up the building and then forget about it until a depositor may want some goods delivered. Sometimes delivereis are not desired for weeks.

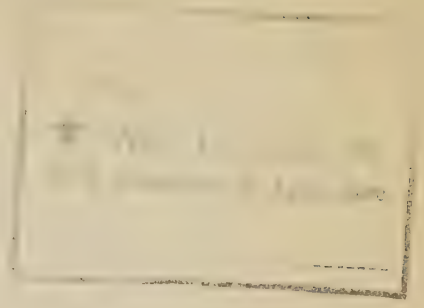
A licensed warehouseman has definite responsibilities to care for the goods he has in storage, and it does not seem to me these responsibilities can be properly discharged unless each warehouse is visited at least once a week and carefully scrutinized to see that everything is in proper condition including the products themselves. I hope each licensee will take this suggestion and act on it faithfully and conscientiously. Failure to do so may result in some unexpected losses to warehousemen. This Department wants to support all licensees but it cannot support a licensee that doesn't carry out his responsibilities.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.



July 27, 1933.

By virtue of the authority vested in the Secretary of Agriculture by the United States Warehouse Act, approved August 11, 1916 (39 Stat. L. p. 486) as amended, and by the Regulations for Warehousemen Storing Canned Foods, approved April 29, 1932, as amended, I, Nils A. Olsen, Designated Representative of the Secretary of Agriculture, hereby direct that no warehouse receipt issued for canned sour cherries, pitted or unpitted, stored in a warehouse licensed under said United States Warehouse Act, shall cover a period extending beyond April 30 following the year in which the canned cherries were packed.

Nils A. Olsen

Chief, Bureau of Agricultural Economics.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D. C.

August 7, 1933

TO CANNERS OF THE TRI-STATES AREA.

Gentlemen:

This Bureau will again operate a canned food grading office during the canning season at Easton, Maryland. The office will be opened August 15, 1933, and will be in charge of Mr. Loyde M. Billman, who may be addressed as follows:

Canned Fruit and Vegetable Grading Service,
United States Department of Agriculture,
Easton, Maryland.

To this office samples may be sent for grading, or as far as practicable, Bureau representatives will draw samples upon request. Certificates of grade will be issued to financially interested parties requesting the service similar to the certificates now so generally in use in the fresh fruit and vegetable industry. Since these certificates are admissible in all courts of the United States as prima facie evidence of the truth of the statements therein contained, the convenience and value of such a commercial document in effecting transactions is readily appreciated. Certificates of grade will be issued on the basis of representative samples drawn at the rate of one can per 1,000 cans of No. 3 size cans or smaller. Thus, 24 samples will be drawn from 1,000 cases of No. 2 size cans. Twelve cans will be graded and 12 cans will be retained under lock and key in the grading office. The stored check sample will be used in the event a question arises in connection with the original certification, or in the event the buyer desires the Department to compare samples of deliveries with samples originally graded. The check samples will be held until the applicant indicates that satisfactory disposition has been made of the lot from which the samples were drawn. The samples will then be returned to the applicant at his expense if he requests.

Samples may be drawn by the official grader or any other employee of the Department of Agriculture designated for that purpose, or by the applicant or his representative, or by a licensed sampler. Information relative to the licensing of official samplers may be had by writing the Department. Samplers may be licensed without charge by the Department. The licensed sampler will be permitted to collect fees approved by the Department.

In the absence of a contract for services, the charge for grading and certification will be $5.00 per sample of 24 cans if an employee of the Department draws the samples, plus actual expenses when absent from his official headquarters. In the absence of a contract for services, the charge for grading samples drawn by others and delivered at the office of the grader will be $3.00 per sample. The Bureau will undertake to grade large quantities under contract during the fiscal year at reduced rates. Information may be had by writing the Department, indicating the volume on which grading is desired.

Results of grading will be furnished immediately by wire, charges collect, if applicant requests. Certificate of grade will follow by mail.

Additional copies of certificates may be had at the rate of $1.00 each. Each lot will be scored and copies of the score sheet covering the sample may be had for 50 cents additional.

The Bureau wishes to again stress the necessity of adequate coding if the industry is to enjoy the greatest benefit from this service. The importance of identifying each lot of canned fruits and vegetables so that the samples from the lot are not only representative, but readily distinguishable as such cannot be too strongly emphasized.

Grading will be in accordance with grades approved or promulgated by the Department for this purpose. Copies of grades promulgated by the Department may be had by addressing this Bureau. The use of U. S. grade nomenclature in quotations and contracts is suggested as a satisfactory basis of sale. It is believed that many disputes may be avoided by buyer and seller after delivery if canned goods thus sold are supported by an official certificate of grade. If this is done, it is felt that the need for consummating sales on the usual sample basis will soon pass, with the consequent saving of many thousands of dollars annually to the industry.

Forms similar to the one enclosed to be executed and forwarded with samples to the grading office may be had by applying to the Bureau.

Very truly yours,

Paul M. Williams

PAUL M. WILLIAMS,
Senior Marketing Specialist

Enclosure

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D. C.

August 8, 1933

TO TOMATO CANNERS OF ARKANSAS, MISSOURI, OKLAHOMA, AND KANSAS.

Gentlemen:

This Bureau will operate a canned foods grading office during the canning season at Fayetteville, Arkansas. The office will be opened August 10, 1933, and will be in charge of Mr. R. B. Landrum, who may be addressed as follows:

Canned Fruit and Vegetable Grading Service,
United States Department of Agriculture,
Fayetteville, Arkansas.

To this office samples may be sent for grading, or as far as practicable, Bureau representatives will draw samples upon request. Certificates of grade will be issued to financially interested parties requesting the service similar to the certificates now so generally in use in the fresh fruit and vegetable industry. Since these certificates are admissible in all courts of the United States as prima facie evidence of the truth of the statements therein contained, the convenience and value of such a commercial document in effecting transactions is readily appreciated. Certificates of grade will be issued on the basis of representative samples drawn at the rate of one can per 1,000 cans of No. 3 size cans or smaller. Thus, 24 samples will be drawn from 1,000 cases of No. 2 size cans. Twelve cans will be graded and 12 cans will be retained under lock and key in the grading office. The stored check sample will be used in the event a question arises in connection with the original certification, or in the event the buyer desires the Department to compare samples of deliveries with samples originally graded. The check samples will be held until the applicant indicates that satisfactory disposition has been made of the lot from which the samples were drawn. The samples will then be returned to the applicant at his expense, if he requests.

Samples may be drawn by the official grader or any other employee of the Department of Agriculture designated for that purpose, or by the applicant or his representative, or by a licensed sampler. Information relative to the licensing of official samplers may be had by writing the Department. Samplers may be licensed without charge by the Department. The licensed sampler will be permitted to collect fees approved by the Department.

In the absence of a contract for services, the charge for grading and certification will be $5.00 per sample of 24 cans if an employee of the Department draws the samples, plus actual expenses when absent from his official headquarters. In the absence of a contract for services, the charge for grading samples drawn by others and delivered at the office of the grader will be $3.00 per sample. The Bureau will undertake to grade large quantities under contract during the fiscal year at reduced rates. Information may be had by writing the Department, indicating the volume on which grading is desired.

Results of grading will be furnished immediately by wire, charges collect, if applicant requests. Certificate of grade will follow by mail.

Additional copies of certificates may be had at the rate of $1.00 each. Each lot will be scored and copies of the score sheet covering the sample may be had for 50 cents additional.

The Bureau wishes to again stress the necessity of adequate coding if the industry is to enjoy the greatest benefit from this service. The importance of identifying each lot of canned fruits and vegetables so that the samples from the lot are not only representative, but readily distinguishable as such cannot be too strongly emphasized.

Grading will be in accordance with grades approved or promulgated by the Department for this purpose. Copies of grades promulgated by the Department may be had by addressing this Bureau. The use of U. S. grade nomenclature in quotations and contracts is suggested as a satisfactory basis of sale. It is believed that many disputes may be avoided by buyer and seller after delivery if canned goods thus sold are supported by an official certificate of grade. If this is done, it is felt that the need for consummating sales on the usual sample basis will soon pass, with the consequent saving of many thousands of dollars annually to the industry.

Forms similar to the one enclosed to be executed and forwarded with samples to the grading office may be had by applying to the Bureau.

Mr. Landrum will be glad to confer with canners contemplating labeling their products in terms of the official grades of the Department. The Bureau advised canners some time ago that it would cooperate with them in advising the consuming public of the meaning of the grade terms, provided canners labeled out sufficient quantities of merchandise in terms of the grades to justify such action. If sufficient number of canners adopt the suggestion, it is planned to use nation-wide radio hook-up, the press services, and such other means of publicity the Department has at its command.

Very truly yours,

Paul M. Williams

PAUL M. WILLIAMS,
Senior Marketing Specialist

Enclosure

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August 15, 1933

INSTRUCTIONS TO FEDERAL LICENSED SAMPLERS - BEANS AND PEAS

Samples drawn by Federal licensed samplers from lots of beans and peas are used by a Federal licensed inspector as a basis for determining the U.S. grade and class of such lots. In order that the grade or quality thus determined may be accurate it is necessary that the sample submitted be truly representative of the entire lot from which it was drawn. The following instructions for sampling beans and peas in bags should be followed:

1. All samples must be drawn by the Federal licensed sampler and this work must not be delegated by the licensed sampler to any other person.

2. All samples must be drawn with an approved sack probe or trier. A needle-point trier 12 inches in length similar to that described and illustrated in figure 1 B, page 40 of the Handbook of Official Standards for Beans is most satisfactory.

3. At least 10 percent of the bags in a carload or other lot of beans and peas should be probed. In sampling small lots, from 15 to 25 percent of the bags should be probed. In any case a sufficient number of the bags should be probed to satisfy the sampler that a representative sample has been obtained. The bags probed should be selected at random throughout the lot. A representative number of bags at or near the bottom of the pile or carload should be probed as well as bags exposed to the side and top of the lot.

4. Some of the bags should be probed near the top of the bag, others near the bottom, and others near the center.

5. Approximately the same quantity of beans or peas should be drawn from each bag. The quantity which can be held in the hand and those remaining in the trier are sufficient from each bag.

6. The trior should be inserted in the bags carefully so as to spread the threads and not damage the bag. After the sample has been drawn from the bag the hole thus made should be closed by scratching it lightly in opposite directions with the point of the trier.

7. The composite sample thus drawn from all bags probed in the lot should be placed in a heavy canvas bag and mailed to the Federal licensed inspector previously designated to make inspections based on such samples.

8. If the beans or peas sampled appear to contain excess moisture a one-pint portion of the sample drawn should be placed in a moisture proof container and submitted to the licensed inspector with the remainder of the the sample.

(over)

9. After a sample has been drawn from a lot of beans or peas in a car, the sampler shall seal the car with Federal seals furnished him by the U.S. Department of Agriculture for this purpose.

10. An information card furnished by the U.S. Department of Agriculture should be filled out by the sampler and enclosed in each sample submitted. On this card should appear the following information:

(a) Car number, warehouse lot number, or other identification.

(b) Amount, that is, number of bags in the car or lot from which the sample was drawn.

(c) Location, that is, name of town and railroad siding or warehouse or other place where the beans or peas are located.

(d) Date sample was drawn.

(e) Applicant's name and address, that is, the name and address of person or firm to whom certificate should be sent.

(f) Name of licensed inspector to whom the sample is forwarded.

(g) The form of inspection certificate desired, that is, regular inspection, reinspection, or appeal inspection.

(h) The numbers on the Federal seals applied to the car if the beans or peas sampled are located in a car.

(i) The licensed sampler's signature.

On the back of the card may be shown information regarding the condition of the beans or peas sampled, that is, whether there is any objectionable odor, whether they are musty or damaged by excess moisture due to a leaky roof, whether they are packed in secondhand bags, whether the bags are mutilated or damaged from any cause, etc.

11. Bags, franked tags, and car seals, as well as information cards referred to above will be furnished to the licensed sampler by the supervising inspector of the district in which the sampler is located.

12. The Federal licensed sampler may charge for his services not to exceed $2.00 for each carload of beans or peas sampled when in cars or for each 600 bags or less when in a warehouse or elsewhere not in cars. The sampler will collect this fee direct from the applicant, all of which is to be retained for his services, and the Department of Agriculture will not be responsible for the collection of such fee; unless other plans are made for the collection and disbursement of such fee.

13. If at any time a problem arises in connection with the sampling of a lot of beans or peas with which the Federal licensed sampler is not fully familiar, he should get in touch immediately with the supervising inspector of his district and obtain definite instructions before proceeding.

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

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September 12, 1933.

MEMORANDUM TO LICENSED SOYBEAN INSPECTORS

Note Carefully and File for Reference

There has been some lack of uniformity in the method of determining foreign material in grading soybeans under the U. S. standards. After careful consideration it has been decided that the following method and procedure should be followed in determining the percentage of splits, damage, and foreign material in grading this commodity:

Foreign Material

Determine the percentage of foreign material in the sample first, using not less than 500 grams, preferably 1,000 grams. The soybeans in the quart kettle which were used to determine the test weight may be conveniently used for the determination of foreign material.

Splits and Damage

After removing foreign material, run the cleaned sample through the Boerner sampler and cut it down to not less than 250 grams as a basis for determining the percentage of splits and damage. It is not advisable to reduce the size of the sample by hand. It should always be run through the Boerner sampler for this purpose in order that a representative portion thereof may be obtained.

Moisture and Test Weight Per Bushel

These factors should be determined as heretofore on the basis of the sample, including foreign material.

Very truly yours,

J. E. BARR,
Marketing Specialist.

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

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October 10, 1933.

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

From different complaints which have reached this office in the past two months it appears there has been somewhat of a wholesale cutting of rates practiced by cotton warehousemen during the past few months. And as a matter of fact, evidence is beginning to accumulate that that practice has been going on during the past year or more. Particularly has that been true where a licensed warehouseman has had another warehouseman at the same point in competition with him, and where one or the other of these warehousemen was particularly desirous of getting a certain account.

I am obliged, therefore, to direct attention of all licensed cotton warehousemen to Regulation 5, Section 7 which reads as follows:

> "A warehouseman shall not make any unreasonable or exorbitant charge for services rendered. Before a license to conduct a warehouse is granted under the Act the warehouseman shall file with the bureau a copy of his rules, if any, and a schedule of the charges to be made by him if licensed. Before making any change in such rules or schedule of charges he shall file with the Bureau a statement in writing showing the proposed change and the reasons therefor. Each licensed warehouseman shall keep exposed conspicuously in the place prescribed by regulation 2, section 4, and at such other place, accessible to the public, as the chief of the bureau or his representative may from time to time designate, a copy of his current rules and schedule of charges."

In this connection I also wish to direct attention to the fact that the law itself specifically prohibits unreasonable or exorbitant charges for services rendered, and discriminatory charges. Any time a warehouseman cuts a rate to get the business of a certain client, or prospective client, he indulges in discrimination and violates the Act. The Department cannot close its eyes to an indulgence in such practices. To say the least, such practices are unfair to other warehousemen and to other patrons of these warehouses.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

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October 13, 1933.

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

The press has contained many statements with reference to the late proposal of the Government to advance ten cents a pound on cotton to growers. Following these press statements I have received a number of letters and wires inquiring about the plan. These plans are being developed between the Agricultural Adjustment Administration and the Reconstruction Finance Corporation. They are not complete.

I have just been in communication with the person developing the plans, and he has agreed to forward me complete instructions with necessary papers just as soon as the plans are completed and available for distribution. I shall immediately upon receipt of such information mail it to each of the Federally licensed warehousemen. It is probable that these plans will not be completed for the next week or ten days. Until you receive something further from me you can take it for granted that the plans have not been consummated.

Very truly yours,

H. S. Yohe,
In Charge, Administration
United States Warehouse Act.

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Ec792Mm

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

JAN 11 1934
U. S. Department of Agriculture

January 2, 1934.

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

The ten cent per pound cotton loans made by the Commodity Credit Corporation are supposed to be made only in connection with cotton produced in 1933.

The Federal warehouse receipt is issued for a period of one year from date of issuance. Upon the expiration of that period a new receipt may be issued for another year. Very obviously a new receipt issued to replace one which has already served for one year without carrying some notation to indicate that the new receipt replaces one that was issued in 1932 would give the impression that the new receipt covers 1933 cotton. Of course, a warehouseman cannot always tell in what crop year a bale of cotton was produced, but he does know that when he is asked to issue a receipt for a second year period of storage that that cotton was not produced in 1933.

So as to assist in carrying out the intent of the ten cent per pound cotton loan, Federally licensed warehousemen are directed when issuing new receipt to replace one issued prior to this year, to mark such second receipt conspicuously so as to inform anyone to whom the receipt is given that the cotton is not of 1933 crop. The following wording would accomplish this purpose and still not place the responsibility upon the warehouseman of determining in what year the cotton was produced: "The bale of cotton covered by this receipt is not of the 1933 crop."

Will you please give full cooperation in this direction?

Very truly yours,

In charge, Administration
U. S. Warehouse Act.

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U.S. Department of Agriculture

February 3, 1934.

MEMORANDUM FOR LICENSED TOBACCO WAREHOUSEMEN

It is our understanding that there is a possibility of tobacco stored in licensed warehouses at certain points being moved by depositors to some other licensed warehouses for one reason or another. It is my understanding that in a great many instances the warehouse receipts contain a statement of grade and condition of the tobacco, which statement was based on a certificate of inspection of the tobacco at or immediately before the time when the tobacco was stored in the first instance. In some cases these certificates and receipts were issued two or more years ago.

The purpose of this memorandum is to advise all licensed warehousemen that before a licensed receipt stating grade and condition can be issued for any tobacco which went into storage some time ago and is now transferred to another warehouse the tobacco must be reinspected for condition and graded.

The purpose of this requirement is at least twofold. First, when the warehouseman states grade and condition on the warehouse receipt he assumes responsibility for the correctness of those statements. The Act clearly contemplates that. The warehouseman therefore cannot be certain of the grade and condition of tobacco which was inspected several months or years prior to the time it was offered to him for storage unless there has been an actual inspection and grading of the tobacco performed at the time it is tendered him for storage. We are therefore interested in protecting the warehousemen. Second, if a warehouseman were to state grade and condition on the basis of inspections made some months or perhaps several years ago, the tobacco might have deteriorated considerably in the interim and if bankers understood that the warehouseman's statement of grade and condition on his receipt was based on an inspection of the tobacco months before they would not view receipts as acceptable collateral.

We cannot permit uncertainty in the value of the receipts for collateral purposes to be created merely to avoid the expense of inspection. If we do, the value of the receipts will be defeated and at the same time the depositors of the tobacco necessarily suffer.

In the interest therefore of yourself as warehouseman and of the depositor of tobacco, we hope you will carefully observe the conditions herein mentioned and if you should be offered tobacco on conditions as herein referred to we are sure an explanation in the light of what we have offered will at once convince any reasonably-minded depositor in what direction his best interests lie.

Very truly yours,

H. S. Yohe
In Charge, Administration
United States Warehouse Act.

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

April 3, 1934

Gentlemen:

The following changes should be made in the list of warehousemen licensed under the United States Warehouse Act which was sent to you as of March 1, 1934:

ADD TO LICENSED COTTON WAREHOUSEMEN

State	Town	Warehouseman	Date Effective
Va.	Danville	Geo. W. Davis, trading as Davis Storage and Warehouse Co.	Mar. 20, 1934

ADD TO LICENSED GRAIN WAREHOUSEMEN

State	Town	Warehouseman	Date Effective
Texas	Plainview	Lester Stone, Lessee, Harvest Queen Elevator	Mar. 31, 1934

DEDUCT FROM LICENSED GRAIN WAREHOUSEMEN

State	Town	Warehouseman	Date Effective	Reason
Nebr.	Holdrege	Holdrege Roller Mills	Mar. 31, 1934	Suspended for irregularities

ADD TO LICENSED TOBACCO WAREHOUSEMEN

State	Town	Warehouseman	Date Effective
Va.	Danville	Geo. W. Davis, trading as Davis Storage and Whse. Co.	Mar. 20, 1934

ADD TO LICENSED SEEDS WAREHOUSEMEN

State	Town	Warehouseman	Date Effective
Nebr.	Crawford	William Norman	Mar. 26, 1934

Very truly yours,

H S Yohe

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

April 10, 1934

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

Some time ago we issued a memorandum to cotton warehousemen licensed under the Warehouse Act, indicating that no one should be admitted to a licensed warehouse except in the presence of the warehouseman himself or his representative, and so long as such outside person is in the warehouse the warehouseman, or his representative, should accompany him. We further indicated that we felt that the warehouseman and his duly authorized employees should be responsible for all weighing, sampling, and other services usually performed in the warehouse.

It appears that some warehousemen have not been following these instructions. In a good many places trouble has arisen; improper samples have been drawn, cotton has been sampled which did not belong to the people drawing the samples and who had no authority to draw such samples; evidence is beginning to accumulate that in some instances tags have been switched from one bale of cotton to another.

We are now writing to advise that the Department takes the position that all sampling of cotton, all weighing, and other services usually performed by warehousemen should be performed only by them or by their authorized representatives and under no conditions, save in the presence of the warehousemen, or their authorized employees, should anyone be admitted to warehouses.

It is expected that these suggestions will be put into effect at once at all licensed warehouses. They are for the protection of the warehouseman as well as for the interest of various patrons of warehouses.

The permitting of free access to a warehouse of depositors or others without being accompanied by the warehouseman or his authorized representative will be considered sufficient grounds for suspension of license.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U.S. Warehouse Act.

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Dec 2 1934

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

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June 12, 1934

MEMORANDUM TO LICENSED COTTON WAREHOUSEMEN

On April 19, 1934 I wrote you with reference to the tagging of cotton as required under the Bankhead Act. Since then officials of the Agricultural Adjustment Administration, which will administer this Act, have held a great many conferences, not only with different people here in the Department but with various interests connected with the cotton trade including many cotton warehouses, among which was excellent representation of our warehousemen operating under the United States Warehouse Act.

I am now writing to advise that Mr. G. L. Crawford has been appointed Director of Cotton Tagging of old stocks in connection with the Bankhead Act. About the time you will receive this letter you will also receive a letter from Mr. Crawford in which he will indicate that the Administration has agreed to permit Federally Licensed warehousemen to tag cotton stored in their warehouses. He will also indicate in a general way the procedure to be followed. This tagging will have to be done under regulations promulgated by the Secretary. Those regulations will undoubtedly be available in the next week and when you file application to do tagging I am sure Mr. Crawford will see to it that you are immediately furnished with the regulations.

In connection with this tagging, it has been ruled that warehousemen will have to furnish bond to the Department. It had been suggested that Federally licensed warehousemen should not furnish bond because of the fact that they are already furnishing bond to the Department under the U. S. Warehouse Act. That suggestion was viewed with favor by the Department but upon close study of the Warehouse Act and the bond given thereunder, it was concluded that that bond could not apply to the Bankhead Act. Frankly, I think that is correct. When that ruling was made I immediately suggested that the bond to be required of Federally licensed warehousemen should be held to a minimum and, therefore, I understand that reasonable minimum and maximum requirements will be contained in the regulations.

As indicated in my letter of April 19 to you, I am sure we can count on complete cooperation of every licensed cotton warehouseman with the Agricultural Adjustment Administration.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

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U. S. Department of Agriculture

June 12, 1934

MEMORANDUM TO LICENSED COTTON WAREHOUSEMEN

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As indicated in my letter of April 19 to you, I am sure we can count on complete cooperation of every licensed cotton warehouseman with the Agricultural Adjustment Administration.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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WASHINGTON, D. C.

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U. S. Department of Agriculture

June 20, 1934

MEMORANDUM FOR GRAIN WAREHOUSEMEN AND GRAIN INSPECTORS
LICENSED UNDER THE UNITED STATES WAREHOUSE ACT

On March 31, 1934 the Secretary of Agriculture promulgated revised Official Grain Standards under the U.S. Grain Standards Act which become effective July 2, 1934.

Under the Federal Warehouse Act grain stored under this law must be inspected and graded according to the U.S. Grain Standards. Therefore, we call your attention to the revision in these Standards and the effective date, July 2, 1934. A copy of the revised Standards is enclosed herewith.

Naturally, the question arises as to how delivery will be made on and after July 2 against receipts issued prior to that date and calling for grades according to Standards in effect on the date the receipts were issued. Up to and including July 1 grain will be delivered from licensed elevators on exactly the same grades as heretofore. It is believed that warehousemen will experience little difficulty in making deliveries under the revised grades to meet the requirements of warehouse receipts issued in terms of the old grades. In certain instances, by reason of changes in the requirements or of changes in the nomenclature, the grain when loaded out may receive a different grade designation than that called for in the receipt. In such cases proper delivery under the receipt will be regarded as accomplished when grain is delivered of such quality as meets the requirements of the grades under which it was originally stored. It will have to be inspected under the new Standards effective July 2, however, and the certificates must recite grades in terms of those Standards. The inspector on and after July 2 should show on his certificate under "remarks" the grade to which the grain would have been entitled under the old Standards. This statement should take the following form, "This lot meets the U.S. grade specifications which were in effect July 1, 1934 for ....."

This procedure must be followed during the transition period from the old to the new grades. After July 2 inspectors must certificate on the basis of the new Standards but the above suggestion for stating under "remarks" the grade in terms of the old Standards will serve to accomplish delivery in accordance with grades stated on warehouse receipts issued prior to July 2, 1934.

It behooves every warehouseman and every licensed inspector to study the new grades very carefully and to see that proper reconciliation between different grades is made in delivering old stocks of grain after July 2, 1934.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U.S. Warehouse Act.

Enclosure

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July 25, 1935

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C

TO COTTON PRODUCERS

Gentlemen:

For the past two years the Commodity Credit Corporation has made loans when desired to farmers on their cotton. Other agencies of the Government and private bankers have also made loans. Before such loans could be obtained, however, the cotton had to be stored in an acceptable warehouse.

As far back as 1916 Congress recognized the need of a sound warehousing system, which would provide the farmers with a uniform warehouse receipt containing such terms as would make it readily acceptable to bankers. It accordingly passed the United States Warehouse Act.

This law places certain warehousemen under the jurisdiction and supervision of the Secretary of Agriculture. With a view to protecting the depositors and those who loan money on warehouse receipts, the Secretary has issued regulations providing for the licensing of warehousemen.

Before a warehouseman is licensed, he is thoroughly investigated. The warehouseman must have a certain financial standing. He must have a reputation for fair dealing. A thorough physical examination is made of the warehouse to be licensed to see that leaky roofs, faulty floors and other conditions that cause much damage each year do not exist. As additional protection for the farmer the warehouseman must furnish a bond in a specific amount to the Department of Agriculture by a responsible surety company. If depositors suffer a loss because of the neglect or improper conduct of a warehouseman, satisfactory adjustment for such losses is required.

The fact that the Commodity Credit Corporation has in the past set a minimum grade of low middling and staple length of $\frac{7}{8}$" for a full loan should not cause the producer to be satisfied with the knowledge that his cotton meets the requirements for such loans. The limitations to avoid overproduction should cause the growers to give more attention to grade and staple. Knowledge of the complete and correct grade and staple may mean $10 or $12 per bale additional income to the farmer.

Federally licensed warehouses are required to provide full information in the warehouse receipt in regard to the grade of cotton stored with them unless the depositor requests that the information be omitted. The warehouseman is responsible for the grade and length of staple being reasonably accurate.

Only licensed weighers or weighers who can show that they are competent by training and experience and who are responsible to the warehouseman are permitted to weigh cotton. All scales at warehouses operating under the Federal law are tested by Government inspectors. If any scales are found inaccurate, such scales are condemned until corrected. Checks are made of the actual weighing of the cotton. If any weigher is found not giving proper weights he is not permitted to weigh cotton at the warehouse again and the warehouseman is held responsible for losses.

Before the Warehouse Act was passed many farmers were not disposed to store their products in public warehouses. Too many losses had come to their attention. As a safeguard against such losses the Department of Agriculture maintains a staff of trained men to examine the warehouses operating under the United States Warehouse Act. The inspectors make certain that each bale of cotton for which there is a warehouse receipt is actually in the warehouse.

In addition to the assurance that he will find his cotton in storage when called for, the farmer can feel confident that it is being cared for properly. If the product has been neglected, the Government holds the warehouseman responsible under the law and bond for making satisfactory adjustment with the depositors.

When cotton is stored in a warehouse operating under the United States Warehouse Act the depositor receives a warehouse receipt which is at once acceptable to the Commodity Credit Corporation and other Government loaning agencies. These receipts are also considered the best form of commodity collateral by bankers in general for private loans. They give the producer access to all lending agencies.

It is often the case that well constructed warehouses with a capacity of 1,000 bales can be licensed and valuable services rendered but the Department does not feel justified in recommending a license where the capacity of a warehouse is less than 1,000 bales on account of the cost of operation to the warehouseman and the cost of supervision to the Government.

The Federal warehouse law is another provision by the Federal Government for the protection and benefit of farmers. If you are interested in protecting yourself and making your credit arrangements easily, it is suggested you discuss this subject with your warehouseman. Warehousemen usually want to accommodate their patrons. If they wish more information they should communicate with the Department representative in charge of work in the Carolinas, Mr. W. R. Windes, P. O. Box 336, Raleigh, N. C.

Very truly yours,

H. S. Yohe

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

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September 20, 1935.

MEMORANDUM TO LICENSED WAREHOUSEMEN IN THE DALLAS TERRITORY

Gentlemen:

To those of you who have not heard of the passing of Mr. R. L. Newton on the afternoon of September 14, this letter may be a little surprise. I am quite sure practically everyone with whom Mr. Newton had contact appreciated many of his qualities, particularly his desire to be fair.

For the time being we have asked Mr. J. W. Pickens, who has been serving as first assistant to Mr. Newton, to act in charge of the territory served by the Dallas office. It will be our purpose to make the very best selection possible in the way of a permanent successor. Until you hear further from us you will please take up any matters relating to the Warehouse Act with Mr. Pickens, addressing him at the same address as you did Mr. Newton.

Very truly yours,

H S Yohe

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D. C.

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U. S. Department of Agriculture

August 13, 1936

TO CANNERS, WAREHOUSEMEN, BANKERS, AND DISTRIBUTORS OF THE EASTERN SHORE AREA.

Gentlemen:

In order to better serve the canning industry of the Tri-States territory, the Bureau will open an official canned fruit and vegetable grading office in Easton, Maryland, on August 17, 1936, for a period of approximately two months. The office will be in charge of Mr. H. S. Slamp, who may be addressed care of Canned Fruit and Vegetable Grading Service, U. S. Bureau of Agricultural Economics, Easton, Maryland.

The official certificates of grade issued by this Bureau serve two primary purposes: First, as documentary evidence of grade to accompany warehouse receipts in financing operations and, second, as proof of grade to accompany shipping documents in making delivery.

Samples may be submitted to the above office for grading or, at request of applicant, the Bureau will arrange to have samples officially drawn.

Certificates of grade will be issued on the basis of representative samples drawn at the rate of one can per 1,000 cans of No. 3 size cans or smaller. Thus, 24 samples will be drawn from 1,000 cases of No. 2 size cans. Twelve cans will be graded and 12 cans will be retained under lock and key in the grading office. The stored check samples will be used in the event a question arises in connection with the original certification, or in the event the buyer desires the Department to compare samples of deliveries with samples originally graded. The check samples will be held until the applicant indicates that satisfactory disposition has been made of the lot from which the samples were drawn. The samples will then be returned to the applicant at his expense, if he requests.

Samples may also be drawn by licensed samplers. Information relative to the licensing of official samplers may be had by writing the Department. Samplers may be licensed without charge by the Department.

The fee for grading samples drawn from 1,000 cases as above suggested, if the samples are drawn and delivered to the official grading office, is $3.00. If the samples are drawn by the official grader, the fee for grading samples from 1,000 cases is $5.00, plus the expenses of the grader while absent from his official station. The Bureau, however, will undertake to grade large quantities under a contract at reduced rates. Those signing a "declaration of intention" to use 50 gradings or more at the Easton office during the twelve-month period following the date the declaration is signed, will be entitled to a refund at the end of the 50th grading of 25% of the amount

paid. Those signing a similar declaration for 1,000 gradings will be entitled to a refund of 33-1/3% of all amounts paid, upon the completion of the 1,000th grading.

The Bureau cannot too strongly emphasize the necessity of adequate coding if the industry is to enjoy the greatest benefit from this service. It can be readily appreciated that a certificate of grade covering samples drawn from lots which have been so adequately coded and the record of the subsequent movement of the lot so accurately kept as to make it possible to later determine that certain canned goods are a part of a lot previously sampled and officially graded by a grader of the Department, is infinitely more valuable than one merely covering goods in unidentified cans.

Grading will be in accordance with grades approved or promulgated by the Department for this purpose. Copies of grades promulgated by the Department may be had by addressing this Bureau. The use of U. S. grade nomenclature in quotations and contracts is suggested as a satisfactory basis of sale. It is believed that many disputes may be avoided by buyer and seller after delivery if canned goods thus sold are supported by an official certificate of grade. If this is done, it should no longer be necessary to submit samples to buyers, with the consequent saving of many thousands of dollars annually to the industry.

Forms similar to the one enclosed to be executed and forwarded with samples to the grading office may be had by applying to the Bureau.

Very truly yours,

Paul M. Williams

PAUL M. WILLIAMS,
Senior Marketing Specialist

Enclosure

CITY _ _ _ _ _ _ _ _ _ _ _ _ _

DATE _ _ _ _ _ _ _ _ _ _ _ _ _

Canned Fruit and Vegetable Grading Service,
U. S. Bureau of Agricultural Economics,
Easton, Maryland.

Gentlemen:

The accompanying _ _ _ _ _ _ _ _ samples of _ _ _ _ _ _ _ _ _ are submitted for grading and certification under the Farm Products Inspection Law.

These samples are believed by me to be representative of Lot No._ _ _ _ consisting of _ _ _ _ _ _ _ _ cases of No. _ _ _ _ size cans, bearing code marks _ _ _ _ _ _ _ _ stored in warehouse, section building or bin _ _ _ _ _ _ _ _

_ _ _ _ _ _ _ _ _ _ _ _ _

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
Washington, D. C.

September 29, 1937.

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN.

Gentlemen:

Your attention is especially called to the following sentence in the "Warehouseman's Certificate and Waiver" in connection with Commodity Credit Corporation cotton loans:

> "All cotton listed in the above or attached schedule is guaranteed to be of grade and staple eligible for a loan of the amount per pound set forth in the above or attached schedule, determined in accordance with the provisions of Paragraph 3 of the printed instructions (1937-1938 C.C.C. Cotton Form 1)".

This Certificate and Waiver warehousemen are required to sign by the Commodity Credit Corporation. Under the clause above quoted the warehouseman, if he signs the certificate, guarantees the cotton to be of such grade and staple as would make it eligible for a loan. This means that all federally licensed warehousemen who intend to store C.C.C. cotton must have someone available who is qualified to grade and staple cotton in line with the official standards. If cotton which is the subject of a loan is stored in a licensed warehouse, and it should not subsequently be of the required grade and staple, the warehouseman, under this guarantee, would be obliged to pay the difference in value between what the cotton should be and what it proves to be. The necessity, therefore, for a competent classer to serve your warehouse is apparent. Otherwise when delivery of the cotton is finally demanded you may find yourself confronted with claims by the Commodity Credit Corporation.

In this connection we would advise that if your tariff does not already provide for a charge for grading and stapling cotton you should amend it so as to provide for such a charge. The Department, in connection with its cotton standardization work classes considerable cotton. For that service it charges 15¢ for grading, or 15¢ for stapling, or 25¢ if the cotton is both graded and stapled. We would interpose no objection to a charge in such an amount for grading and stapling service.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

July 5, 1938

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U.S. Department of Agriculture

MEMORANDUM FOR LICENSED WAREHOUSEMEN

Gentlemen:

You will no doubt all be interested to know that the rating bureau which establishes rates for the various surety companies which write bonds under the United States Warehouse Act has advised us that effective June 17, 1938, the following scale of rates will apply on warehouse bonds written under the United States Warehouse Act:

	Per M per annum
First $10,000	$7.50
Next 15,000	3.75
Over 25,000	2.25

We are passing this information to you so that you will have it when the time comes to pay the premium on your bond. Inasmuch as these rates represent a substantial reduction following the reduction a little over a year ago, I am sure this information will be pleasing to you.

In granting the rate the president of the bureau indicated to me that it was granted because of the excellent record we have had under the United States Warehouse Act. To that record, of course, each and every licensee has made his contribution. We hope you will all see to it that your operations may be such that the bonding companies will recognize that bonds under the United States Warehouse Act are a preferred risk, and I am sure if we keep up the good work and maintain no greater ratio of bond loss, that we can look forward to still better rates.

May we ask for the hearty cooperation of each and every one of you in endeavoring to comply strictly with the Warehouse Act and regulations?

Very truly yous,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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U. S. DEPARTMENT OF AGRICULTURE

JUL 27 1938

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

July 5, 1938

MEMORANDUM FOR LICENSED WAREHOUSEMEN

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May we ask for the hearty cooperation of each and every one of you in endeavoring to comply strictly with the Warehouse Act and regulations?

Very truly yous,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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U.S. DEPARTMENT OF AGRICULTURE

JUL 27 1938

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
Washington, D.C.

July 16, 1938

SPECIAL INSTRUCTIONS TO LICENSED COTTON WAREHOUSEMEN

RELATIVE TO SAMPLING AND WEIGHING OF COTTON.

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In view of the many complaints made to the Department in the past few months the attention of all licensed warehousemen is directed to the following:

SAMPLING:

1. All sampling of cotton must be performed by samplers licensed under the Warehouse Act.

2. Every warehouseman must maintain a sufficient number of competent licensed samplers to serve patrons reasonably promptly.

3. Licensed warehousemen are expected to supervise their samplers to see that proper samples are always drawn and properly identified.

4. Under the regulations a sample must be drawn from each side of the bale in approximate equal amounts, the total sample being not less than four ounces and never more than twelve ounces.

5. Except for the first sample drawn at the time the cotton is received, a charge for the drawing of each and every sample shall be made in accordance with the amount specified for such service in the tariff. If a double sample is ordered or an extra large sample, the charge for drawing such sample should be doubled. To make any exception to this rule would constitute discrimination which is contrary to law and grounds for suspension or revocation of licenses.

6. If more than one sample is requested at the time the cotton is first received for storage, the bale shall not be weighed until after the samples are drawn.

7. Unless the tendency toward excessive sampling ceases, after a bale has been sampled three times, the Department will be obliged to require receipts to accompany requests for all additional sampling, such receipts will then be cancelled, the sample drawn, the bale reweighed and a new receipt issued on the basis of the reweight. Whether such a regulation will be made will depend entirely upon whether excessive sampling continues. Each warehouseman is urged to direct the special

attention of both his producer and shipper customers to the possibility of such a regulation.

8. All cotton must be carefully examined for condition and other defects. Each warehouseman should especially instruct his samplers in the light of Regulation 8, Secs. 3, 4, 5 and 6.

9. Persons licensed to sample are expected to be more than office men. They must at least supervise the sampling if they do not always actually do the sampling, and they must assume full responsibility for correctness of samples.

10. An accurate record should be kept of the number of samples drawn, upon whose request or order, and whether single or double samples were drawn. All orders should be filed.

WEIGHING:

11. Weighing at cotton warehouses should be performed only by weighers licensed under the Warehouse Act.

12. All weighers should examine each bale carefully for condition, especially to detect dampness, rotten cotton or any condition which might suggest deterioration of the staple or prior improper storage.

13. No bale should be weighed unless it is in storable condition. Wet or damaged cotton should be conditioned before weighing and placing in storage.

14. When requested to reweigh cotton a warehouseman is expected to actually reweigh and use reweights and not original receiving weights. For reweighing a charge may be made in accordance with the filed and published tariff.

In the light of the above each warehouseman should give careful attention to drafting his tariff in definite terms, making certain to state clearly his charges for sampling and weighing. Your tariff for the coming year should be filed as early as possible.

In this connection let me remind you that federally licensed warehousemen have a better opportunity than ever to protect their industry and to advance it in the eyes of producers, bankers, cotton shippers and government loan agencies. But they must observe in spirit the law and regulations under which they operate, otherwise they reflect adversely on the system. We count on each and every one to do his full part and to put aside little jealousies and minor competitive influences.

Very truly yours,

H. S. Yohe
In Charge, Administration
U. S. Warehouse Act

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C

June 27, 1939.

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

Gentlemen:

This memorandum comes to you in advance of the 1939-1940 cotton season. It is dictated by complaints we have received in the last year from certain quarters regarding excessive sampling and loss of weight of cotton. We understand, of course, that the owner of a product contends he has a right to have it sampled as many times and to demand as large samples as he pleases. That is correct so long as the cotton is not covered by a warehouse receipt. But after a negotiable receipt has been issued, no one has a right thereafter to draw samples from that bale except upon order of the receipt holder.

The warehousemen themselves have obligations in this connection, and they should see to it that the receipt holders are protected; otherwise, they may be called upon to make good differences in weight shown on the warehouse receipt as compared to actual weight on delivery.

With a view to enabling the warehousemen to take a definite stand and protect themselves and the receipt holders, we now want to suggest to every licensed warehouseman the following:

1. If more than one sample is drawn at the time the cotton is received, a charge for each extra sample should be made in accordance with the tariff. Most warehousemen's tariffs provide for drawing a sample at the time the cotton is received and include that cost in the first month's storage. However, if the depositor wants two or more samples drawn at the time the cotton is received, or samples in excess of the prescribed size, the samples should be drawn before the cotton is weighed and the receipt issued. If drawn after the cotton is weighed, a charge should be made for each and every sample in excess of the first sample, and if more than two samples are drawn, the warehouseman should insist that the cotton should be re-weighed and a new receipt issued therefor.

2. If two samples are drawn at the time the cotton is received, a charge for one sample should be made. If three samples, a charge for two, and so forth. This, of course, is predicated on the assumption that the first sample charge is included in the first month's storage.

3. If you are requested to sample the bale sometime after it is received, a charge should be made for each and every sample drawn in accordance with your tariff.

4. If double samples are to be drawn, a double sampling charge should be made.

5. The size of a sample should not be in excess of 12 ounces, and 8 ounces would be more nearly in keeping with what is generally required. As a matter of fact, 4 ounces is sufficient.

6. Every licensed warehouseman will be expected to keep a record showing the number of samples drawn from each bale. In other words, a per bale record should be kept and this information should be available to all interested parties.

7. Your tariff should incorporate a specific charge for sampling in accordance with the above outline.

The Department intends to be more strict in this matter of sampling and weighing of cotton than it has been in the past. Hence, this warning.

In the event any holder of a receipt insists upon having his cotton sampled more than once after the cotton has been originally sampled by the warehouseman and a receipt issued therefor, you may advise him that it is contrary to Department regulations to draw more than one sample without the return of the receipt. Instances have come to our attention where as many as five and six samples were ordered drawn long after the receipts had been issued by the warehouseman and were in channels of circulation. The depositor has no right to request such samples when the receipts are outstanding, and we must insist that any depositors that make such requests shall return to the warehouseman the original receipts for cancellation prior to drawing the samples, and after the samples have been drawn, the cotton shall be reweighed and a new receipt issued therefor on the basis of the reweight.

Every warehouseman knows that if a bale of cotton is sampled several times, that bale is bound to lose in weight from natural shrinkage. It loses not only the weight of the samples, but there is an invisible loss through evaporation. The warehouseman is almost invariably charged with the loss. The best way to protect himself is to follow the procedure above outlined.

In this connection, we urge all warehousemen to immediately prepare their tariffs for the coming year. In preparing those tariffs, they should give careful consideration to see to it that they are clearly worded and that they include therein a charge for sampling, resampling, and reweighing, so there may be no question as to their right to make such charges.

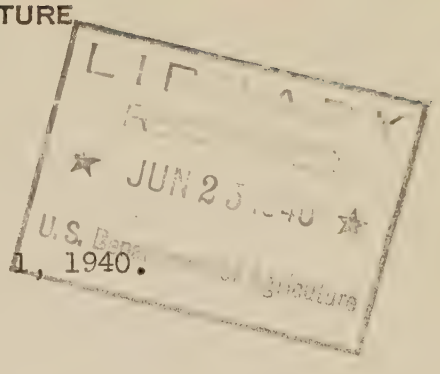
More care should be given to the wording of tariffs. It is quite apparent that with various Government agencies coming into possession of cotton in licensed warehouses, the Government will resolve any doubt as to authority to make a charge against the warehouseman. You are therefore urged to be doubly careful in the preparation of your tariffs this year, making sure that they are plain, definite, and comprehensive.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE
WASHINGTON, D. C.

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June 1, 1940.

MEMORANDUM FOR UNITED STATES LICENSED WAREHOUSEMEN.

Gentlemen:

The President of the Towner Rating Bureau which fixes the rates for bonds written under the United States Warehouse Act advises under date of May 25 that on all new bonds and at the respective anniversary dates of existing bonds, United States Warehouse Bonds will call for the following scale of rates:

	Per M per annum
First $10,000.....	$5.00
Next 15,000.....	2.50
Over 25,000.....	1.25

This marks the third reduction in rates that we have secured within the past three years or less. The rates, in my opinion, are now reaching a reasonable base and I trust that each and every warehouseman will lend his every effort to see that no irregularities take place under the Federal Warehouse Act. This means, of course, that the management of each and every organization must give careful attention to its operations and particularly closely supervise its employees. Let us see if we can't continue our good record and indicate in a substantial manner to the rate-making bureau that it was fully justified in its action.

It is the hope of this office that the conduct of Federally licensed warehousemen will be such that it may so command the confidence of fire insurance rate-making agencies that they will give all Federally licensed warehousemen not only more favorable insurance rates but a better form of coverage. We have attained such a standing in the eyes of the bond rating bureau, now let us strive toward getting the same favorable standing with the fire insurance underwriters.

Very truly yours,

H. S. Yoke,
In Charge, Administration
U. S. Warehouse Act.

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

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U. S. Department of Agriculture

815 Board of Trade Building,
Indianapolis, Indiana.

Gentlemen:

Answering your letter of in which you ask for information relative to the U. S. Warehouse Act, I will first state the general requirements for licensing:

1. The applicant must be of unquestioned character.

2. He must have a suitable warehouse for the storage of the products to be stored.

3. He must be solvent, and, in the case of grain, must have and maintain at all times unencumbered net assets equivalent to 10 cents for every bushel of the storage capacity of the warehouse to be licensed.

4. There must be someone available and connected with the warehouse who can qualify for licensing as an inspector, grader, and weigher.

5. The warehouseman must file a surety bond with the government at the rate of five cents per bushel of storage capacity. On warehouses having a capacity of 100,000 bushels or less the bond is $5,000. This bond costs the warehouseman $10.00 per $1,000.00 per year.

6. The manager of the warehouse must know how to take care properly of the products to be stored.

7. If a corporation, the purpose clause of your Articles of Incorporation must give you authority to operate warehouses for the storage of grain or agricultural products. If the Articles of Incorporation do not grant this authority, it will be necessary to have them amended so as to permit the warehouseman to do a public storage business.

To secure a license under the U. S. Warehouse Act, you should make application on the enclosed form and attach thereto check payable to "U. S. Department of Agriculture" in an amount not less than $23.00. This is the minimum fee for one warehouse or elevator. Also complete the blank financial statement forms which are enclosed herewith in triplicate, sending two copies to this office with your application and fees, and retaining the third copy for your own files. When these are received in this office your application will be given usual consideration.

I am enclosing herewith a small pamphlet, "Warehousing Farm Products under the U. S. Warehouse Act". If you will read this carefully I feel confident that it will answer most any ordinary question for you. For fees and amount of bond necessary for grain warehousemen, please refer to the back side of the application which is enclosed.

If we can be of further service to you, please do not hesitate to write to us.

Very truly yours,

C. B. Burns
In Charge, Indianapolis Office
Administration U. S. Warehouse Act.

LIST OF "HORRIBLE EXAMPLES" PRESENTED BY VARIOUS MEMBERS OF THE STAFF AT CONFERENCE ON ADMINISTRATION OF U. S. WAREHOUSE ACT. APRIL 13-18, 1925.

MR. COFFEE: A case occurred in Augusta, Georgia, in which theree were receipts issued for approximately 8500 bales of cotton. It was caused by the fraudulent issue of receipts. This warehouse had been checked by a Federal Reserve Bank Inspector and they had never seen copies of the receipts issued. They had been giving pretty good reports on the warehouse. The fraud was discovered by comparing numbers. The fraudulent receipts were numbered very much higher than the current series. The loss in this case was borne by banks and cotton shippers and to some extent by the farmers. I think this is one of the strongest arguments we have for the supervision of receipts and keeping a record. At one time the loss was said to be above two million dollars. That appeared in the papers. It would figure at $100 per bale about one million but I remember having seen in print that it was more than that. I think the actual loss was only a million. Some of the receipts represented cotton that had never existed and in some cases it was supposed to be bagging and sweepings.

MR. CROUT: As a direct result of the case in Augusta, we got two large warehouses to come under the Act. In fact, in less than a week's time after this failure was made known to the public, I had a long distance telephone call from Augusta to come down and see what could be done toward reorganizing a certain warehouse company and this request came from the vice president of one of the largest banks in Augusta. When I arrived his first question was: "what will you have us do, we want to get right." As I stated already, we got two large warehouses at Augusta. We have kept close behind those warehouses, checking their receipts, and have found nothing at Augusta out of the ordinary. Mr. Treadaway has probably taken part in more of the Augusta inspections than any of the Atlanta force and I think he will bear me out in this statement. This banker was an official of the warehouse company. We do not think the bankers in Augusta have given us the cooperation that they should, but they tell us that it has not been necessary to make loans on cotton in the past year or two as several years ago. I know that at least one bank insists on Federal warehouse receipts as collateral. The officials of another bank tell us they much prefer the warehouse receipts and have not loaned money on anything but Federal warehouse receipts. We think they might bring some influence to bear on some of the cotton factors in Augusta.

MR. STEIN: I want to present the case non-licensed warehouse. I have used this to interest bankers on occasion. It was a case of a warehouseman operating private warehouses. One of his depositors had 67 hogsheads of tobacco in storage and got 67 warehouse receipts and took them to a bank At the same time he obligated himself to another bank and one time called up the warehouseman and told him he had sold the 67 hogsheads of tobacco and to stop by the bank and get the receipts. It so happened that the manager of the warehouse had made up his mind to leave the warehouse and departed. The proprietor of the warehouse never thought of it and the

receipts remained at the bank and the tobacco was shipped. A little later the bank that held the receipts was involved in financial difficulties and was taken over by another bank. The other bank seemed to have taken these receipts as part of the assets and in due course of time called on the warehouseman for the 67 hogsheads of tobacco. They threatened to sue but finally got it straightened out. There was nothing to it but a grave possibility existed in it. I saw the attorney for the warehouse and insisted that he get the 67 hogsheads of tobacco, so nothing happened. It shows the necessity of having an up-to-date method of conducting a warehouse and returning the receipts before a shipment is made. This happened in North Carolina.

Another example of doing business in a loose way is the case of a brother-in-law storing 9 hogsheads for his brother-in-law. When the brother-in-law told him he had sold the tobacco and asked him to ship it, being his brother-in-law he never insisted on getting the receipts back, and it so happened that a little later the brother-in-law was a little hard up for cash and insisted on getting another 9 hogsheads of tobacco. These two cases I have often brought up to bankers in discussing some of the things we obviate when a warehouse is licensed under the Act.

Another case of loss is one that was recently developed. At Lancaster, Ky., we found that a warehouse was unsuited for the storage of tobacco after it had been licensed. I am frank to admit that I made the original examination, and I am frank to admit that I unqualifiedly recommended the issuance of the license, and I am frank to admit that I regret very much having done so. The warehouse to all intents and appearances seemed to be safe. There was no tobacco in them. The warehouse seemed dry. The concrete came quite high above the floor of the warehouse and it seemed that there was no question as to the safe-keeping of tobacco. However, recently we examined the warehouse and found that considerable tobacco had been damaged because of moisture in the warehouse. The roof was a saw-tooth roof and they told me on this trip that it was very difficult to keep in repair, so that the tobacco apparently was getting it from the bottom and the top. I mention this particularly because it has taught me a very important lesson with respect to the original examinations. It seems to me that in addition to the conclusions we arrive at individually as to the desirability of the warehouse, particularly for tobacco which is susceptible to moisture conditions, it would be well and safe to make additional inquiries from men who we think may be in a position to know the characteristics of a particular house.

MR. MCLURE: My case is one that occurred in LaGrange, N.C., and is a case in which the warehouseman delivered cotton from the warehouse but instead of cancelling the receipts he took them to the bank and secured funds from the bank on the receipts covering cotton already delivered. I think the bank was the ultimate loser of money. I think about $6000 was involved. The loss was detected at the time of a subsequent inspection.

After counting the cotton in the warehouse it was found there was a shortage and the exact nature could not be ascertained because the warehouseman was out of town. When he heard that I was in town he left the warehouse in charge of an assistant and it took about a week to get him back to the warehouse or even longer. I made several trips there and was given different excuses and finally learned the information I have just given you. It seems the reason for this was that he was a dissolute man in some respects and had been speculating and was not able to take up his loans at the bank. I couldn't get the receipts. First he said they were in his files but were misplaced. We gave him time to find them but he finally had to admit just what the trouble was. This caused the man so much trouble that he died during the trial, which was very much of a relief to him because we were going to send him to the penitentiary. I have a thought in regard to this which is that this warehouse was operated under the joint State and Federal Acts and the receipts had been supervised and audited. It shows that even though we have this it is not a panacea for all evils and a man can perpetrate a fraud but it will eventually be detected.

MR. MURPHY: This happened in 1923--Mr. W. M. Ward was a cotton factor in Houston. This is a case of the multiple bale receipt. He raised the amount of one receipt, which was originally for one bale of cotton, to read 1901 and in another case from 6 to 666. I got these facts from people in Houston and believe these figures are correct. This eventually involved a loss to two banks, one for about $100,000 and the other for $450,000. The latter which was a First National Bank of Houston recovered not quite half of the $450,000. I was told their net loss was $250,000. This is a case in which I haven't the least doubt but that had they been operating under the Warehouse Act we would have detected the difference.

About eight years ago there was another case of a bank, whose name I was asked not to mention, which lost about $100,000 through fraudulent receipts issued from Galveston. The President of this bank in the course of a talk I had with him just mentioned this in passing and when I asked for details he said he would rather not give any and he wished to have the matter considered confidential.

MR. CROUT: In the case first mentioned you neglected to state how the raising of the multiple bale receipt was detected.

MR. MURPHY: I do not know just what the form of this receipt was. If I understand this transaction, the receipt was outstanding and there was a copy of this receipt in the office calling for 1 bale and there was a receipt outstanding calling for 1901 bales.

MR. CROUT: The copy of the receipt certainly would not have shown that the original had been raised. The point I want to bring out is that under our form of receipt it would not have been possible to raise the receipt to the amounts you indicated. We have no form of receipt that permits more than 100 bales per receipt but it would have been possible to

raise our receipt from 1 to 100. The point I wish to bring out is that where these multiple bale receipts are issued as pledges for collateral the inspectors should verify or check with the records of the local banks that hold the receipts. In this way we could catch a case similar to this. We have often discussed this in Atlanta. We couldn't do it in every inspection but there are only a few cases in Atlanta where we have the multple bale receipt.

MR. NEWTON: It seems to me that even though we have the limit of 100 bales a receipt for less than 100 bales could be raised to 100 and not beyond but we would not have had any way of finding out this fraud in making inspections. It occurs to me that our regulations should take care of this. I am not in favor of the multiple bale receipt but it does not look as though we can do away with it, but I think the regulations should afford some additional safeguards where this multiple bale receipt is issued.

MR. HAGEL: Along the line Mr. Grout suggested, I think the idea applicable even to single bale receipt. I have in at least two cases that have come to our attention found that in the case of individual bale receipts the marks have been changed, for example, the grade marks. I remember one case in Belzoni, Miss., which came to our attention through the warehouseman in which the receipts were put up at the bank to obtain loans and then one of the members of the bank, the cashier, changed the grade marks on the individual receipts. The warehouseman got knowledge of it in some way and called it to our attention in a subsequent inspection. In chasing this down we found it was not a case of fraud or intent to show that the cotton was more valuable but that the people who owned the cotton were not satisfied with the grading that was done by the warehouseman and his classer and thought they knew more about the cotton, and changed the grade in some cases higher and in others lower. I think one of the cotton associations also made changes in the grades when they were not satisfied. I think Mr. Grout's idea of getting in touch with the bankers and checking up the copies with the originals is a good one.

One case comes to my mind where I made recommendation for license for which later I was very sorry of a building in Fort Wayne, Ind. Everything looked all right but we found that after we issued the license the dealer, a wool dealer, who had this warehouse was principally interested in having his warehouse licensed for the purpose of selling more stock in the company, which at that time was not in the best shape. They had sufficient assets to meet our requirements, which were rather low at that time, and used the fact with the farmers to promote the sale of their stock.

There was the case of a non-licensed wool warehouseman, the Union Wool Warehouse and Storage Company of Boston, Mass. I refused the manager of that plant some years ago and after a half-hours discussion with the manager I was so discouraged with the fact of their ever becoming licensed I dropped them pretty quick. This company in about nine months failed for millions.

Another warehouse which was not licensed was doing two things. Their purpose was to market the wool of western growers and also warehouse it. They obtained loans on the wool stored in their warehouse from Boston bankers. At the time the loans matured the bankers demanded payment and refused to renew and the people connected with the organization were unable to get the money quick enough and it caused the failure of millions of dollars. I think there was lack of foresight in financing and the fact that two functions were connected. It was the financing of the marketing operation of the organization which caused the downfall of the warehousing organization as well.

MR. WALDIE: There have been quite a number of warehouses that have failed in Oklahoma and Kansas that I know of, but they were not licensed warehousemen, that is they were not warehousemen in the sense we think of them. They usually do a merchandising business and it is simply because people have so much confidence in grain warehousemen generally that gives them a chance to take advantage of them. Men who probably would not be classed different from the average man seem to be tempted sometimes with the speculative market. I happen to know the clerk in the district court in Northern Oklahoma and knew of one case that had been tried in that court comparatively recently and in order to get more or less accurate information I wrote and asked him about it. He was very kind in furnishing me a couple letters that somewhat brief the information contained in the court record:

In re Morrison Bros. Mills, Inc.

Along about 1919, Morrison, with his two sons came to Jefferson, Okla., purchased a small mill there and an elevator at Renfrow, and Pond Creek, and a short time afterwards started a movement to build a large brick mill at Jefferson. They issued Mortgage Bonds to different parties in the community of Jefferson, mostly Farmers, and the farmers putting up the cash for the mortgage bond, in the total of $75,000. This was built during high times during the war, and cost $125,000.

Later the Morrisons deeming it that they needed money to carry on the business induced several farmers to go on accommodation notes at banks, in order that Morrison Bros. might get further credit at the bank, with the understanding with the farmers that said notes would never be realized on, being given only for the purpose to get Morrison Bros. credit. These were in the total amount of $30,000.

There was wheat stored and certificates issued in the sum of $40,000.

The Oklahoma State Bank at Enid, Okla., held indebtedness against Morrison Bros. in the sum of $0,000. Stockholders of the bank were assessed and the bank was saved. The First State Bank of Pond Creek held indebtedness against Morrison Bros. in the sum of $40,000. Stockholders of the bank were assessed and the bank was saved. In the year 1922, Morrison Bros. went into bankruptcy in the Federal Court.

The bankruptcy proceedings only paid five per cent on general claims. The Mill and Elevators being sold for about $45,000. Several of the farmers were sued on their accommodation notes, the mortgage bonds issued were worthless, farmers lost about $40,000 worth of stored wheat.

There were two warehouseman's bonds given in the sum of $10,000 and these were sued on by the parties having the stored wheat. Realizing about $6000 on this, which would not make much per cent on $40,000.

The Bank of Jefferson which handled Morrison Bros. account and draft charged about $9000 on drafts during the three or four years of business, and have been sued by the other banks, the Oklahoma State Bank and First State Bank, in double the amount of $18000 for usury.

There was practically a total loss to farmers, stockholders, parties with stored wheat and banks in about the total amount of $200,000.

As a matter of interest maybe you would like to know what became of Morrison Bros. They went to Great Bend, Kansas, starting a feed and flour business there. About a few months ago, the two boys went to New Orleans, and branched out by buying for the grist mill at Great Bend, about $40,000 of flour on 60 days time draft. As soon as the old man got the flour he sold it to different customers at from $1.00 to $2.00 less on the barrel than it cost, and customers grabbed for it. When the 60 days were up, the drafts were not honored.

The Consolidated Flour Mills Company, a Kansas Corporation, was in the years 1921 and 1922, I believe the dates are, operating a line of elevators in the State of Oklahoma, one of which was located at Lamont, Okla., being their agent something like three years. The first year everything seemed to go along all right, so testified by all parties concerned. Mr. Boyer testified that about that time all the other elevators in the town were taking in storage wheat, and that he was losing out on that account, in as much as the Consolidated Flour Mills would not let him store wheat. So he started to store wheat unbeknown to them and instead of giving the customer that brought in the wheat a regular scale ticket, he would write it on a white piece of paper and give the party that as a storage receipt. Mr. Boyer would then ship the wheat to the Consolidated Flour Mills, a corporation, his employer, in his own name or some of his friends, and the mill would send him draft for the amount of the wheat and he would embezzle the money himself, to the amount of about $12,000.00 worth of wheat. However in no instance was the wheat otherwise disposed of than shipped to the Consolidated Flour Mills, his employers. On September 11, 1923, something like 24 law suits were filed in the district court of Grant County by various parties living in the vicinity of Lamont, Okla., who had stored wheat, and had only received the white tickets from Boyers. They went to the Mr. Boyer at different times, ready to dispose of their wheat, as the price warranted, and he was unable to pay them, so these parties sued the Consolidated Flour Mills Company.

On September 15, 1923. Mr. Boyer was called to the main office of the Company at Hutchinson and confessed to them as to the embezzlement, the company having a stenographer in another room where Mr. Boyer couldn't see her, and didn't know she was there, and she took down the evidence or confession that he made, in which he confessed to the embezzlement of something like $12,000 worth of wheat. These civil suits were filed in the district court on the 11th day of September, 1923, and one of them has been tried, before a jury in the district court, and was decided in favor of the plaintiff and against the Consolidated Flour Mills Company and has been appealed to the Supreme Court of the State of Oklahoma.

The question of jurisdiction of the court was brought up inasmuch as the defendant, the Consolidated Flour Mills Company, a corporation was a foreign corporation, but the Court held inasmuch as they had sold feed, flour, etc. on a small scale, they were doing a retail business and were under the jurisdiction of the district court, Grant County, Okla. The next question was a question of agency, and the court held that the plaintiff had proved agency. Mr. Boyer, the agent of the Consolidated Flour Mills Company was arrested upon a charge of embezzlement of both wheat and money and in the criminal matter, the district court held that the state of Oklahoma could only stand upon either the embezzlement of the money or the embezzlement of the wheat.

The jury in the criminal case in the district court, gave Boyer the agent six months in the State Penitentiary, and he has appealed the same to the Criminal Court of Appeals of the State of Oklahoma. The other 23 civil cases are still on the docket and ready to be tried at some future term of the district court. On the 6th day of September 1923, the Consolidated Flour Mills Company, disposed of the elevator at Lamont, Okla., and elsewhere in Oklahoma.

In the case of the State of Oklahoma vs A. M. Boyer, of course, the State charged him criminally with the embezzlement of wheat.

In the various 24 civil matters in the district court, the different parties suing filed their suits against the Consolidated Flour Mills, a corporation. Of course, there was no question but that they got the wheat, as Boyer shipped none elsewhere, the storage wheat along with the wheat bought legally and accounted for, but instead of accounting of this storage wheat to the farmers in the community who had stored it there, Boyer would embezzle the money to himself when the company sent it.

F. G. Bouton, Court Clerk,
Medford, Okla.

MR. WILLIAMS: In our first investigations leading up to writing regulations for the storage of beans we ran into a lot of very interesting things. I recall that the grain trade out in California happens to be very closely associated with the bean industry. Some of Mr. Holman's friends in the grain section of California would be very glad to know what became of the chap that stored several carloads of lima beans in his warehouse. They were ordered out for shipment to New Orleans. When they arrived at New Orleans they happened to be those little Indian beans that don't amount to anything.

More recently there have been other instances that Mr. Yohe wants mentioned so I am going to tell something that happened in connection with the operation of one large company. You have no doubt read of the arrest and bringing back home of Louis E. Sands. Mr. Sands has been properly styled "the bean king of America". He was the President of the Louis E. Sands Company, Incorporated, bean operators, and also president of the Bean Storage Corporation which was a public warehouse for the storage of beans and operated exclusively as a public warehouse in Albion, N. Y. Mr. Sands' activities extended all over the United States. He bought in the five principal bean producing sections, that is, New York, Michigan, Colorado, Idaho, and California. He is now being tried on 44 counts. He has been tried on two counts in the last five weeks. These counts are based upon the manipulation of warehouse receipts. I happened to be in Albion the other day when the jury was considering what to do with Mr. Sands on the second count. Mr. Sands had been notified by the Bernard and Bunker concern in San Francisco of the movement of a car of beans from San Francisco to Albion. Before the beans got there, Mr. Sands had a number of unfilled orders in the Sands Bean Corporation and he filled and order, issued a receipt for the beans before they were received, and moved the same car out on another bill of lading to Boston. The bill of lading was sent to a Boston concern. In the Bean Storage Corpoation they had accepted beans on three bases. First of all, The Bean Storage Corporation is cleaning plant where they clean beans. The farmers bring the beans in in the dirt and the beans are picked over by hand. The corporation will clean these beans and redeliver back to the grower the identical beans. These are not left for storage but simply to be cleaned. Others were stored beans in order to get a negotiable receipt. The other type of basis were the beans that the Bean Storage Corporation stored for the Louis E. Sands Company, which went down in the crash. The Sands Company was declared insolvent about the same time Mr. Sands disappeared the first week in September. The creditors found themselves in this position. Warehouse receipts were issued by the Bean Storage Corporation to the Louis E. Sands Company. Here were receipts for beans stored presumably by farmers all around and also beans left for cleaning and beans moving for transit. Here is the story. The beans had not been identified when they came into storage and had been moved around. The identity

was supposed to be preserved in each instance. When Mr. Daly became the receiver and representative of the referee in bankruptcy the question arose as to whose beans were whose in the bankruptcy case. Then it devolved upon the referee to sift out the beans and he is still counting them. The result is that the growers who are not able to go down and identify their individual lots of beans are losing their beans. That is, they are being considered in the light of common creditors and will receive their prorated share of assets if there are any left when the bankruptcy case is dismissed. Here is a case where one concern lost $89,750--one bank on warehouse receipts alone. Another concern on warehouse receipts lost just $75,000. The growers of course lost from a few dollars to two or three thousands. Operators lost all the way from one to five cars of beans in the smash largely due to the fact of no supervision. Probably the loss on warehouse receipts alone will total around $750,000. The day I was in Albion this case was in the hands of a jury and just before I left they reported 8 for conviction but 4 were not convinced that Mr. Sands had really taken these beans with criminal intent but he had shown to their satisfaction that this was a common practice in the warehousing game and that he had intended to put those beans back with other beans and would have been in business yet had the irregularities not been taken up. There are a number of banks now that are glad to listen to the story of the U. S. warehouse Act in western New York.

There was another case that came up in connection with my recent trip there in which a bank had loaned $40,000 against some warehouse receipts covering an agricultural product which we do not have under the Act--apples. The apples were shipped out, the bank called the loan, and found no apples. That bank does not like the sound of warehouse receipts any more and was glad to know that it is possible to have warehouse receipts issued under the warehouse Act.

MR. GAILLARD: This happened at Darlington, S. C., where I made a subsequent inspection and found 191 bales short. There was no loss involved except to the warehouseman himself. I called for the receipts covering the short bales and he said he did not know anything about them, he had delivered no cotton without the surrender of the receipts. I pressed the point a little but couldn't get anything out of him so asked him who his biggest depositor was. He said it was the Shackleton Company. I went there and asked if they owed Mr. James any receipts. He said there are some in the local bank here and went over and got those, about 25, and said I think the rest are in Charleston. He left for Charleston but came back from Columbia and had a representative of the bank with him. He said I have some receipts but can't turn them over yet. I said, how many have you? He said, I will turn these over to you before you leave but he went off with Shackleton. I learned afterwards that Shackleton was very much tied up and I learned

that the manager lost $6,000 but I can't figure but how he got in it. The only way I can see that the manager lost money was that Shackleton surrendered receipts for cotton which he should have had in the warehouse but checked his books and said it was not there. I understand Mr. James had to mortgage his property, but I do not think the bank lost anything. This happened last summer some time.

MR. MORROW: I have been connected with the work such a short time and my entire time and attention has been given to standardization that I have not seen any particular instances of warehouse failures but I would like to bring out an illustrative point in connection with a bank failure-- that is the Federal supervision over State supervision. We had an instance in Tennessee of a bank failure that was indirectly connected with warehousing work inasmuch as paper covering tobacco warehoused by individual dealers was put up as collateral and the bank was solely under state supervision and it seems the cashier and president were on extremely friendly terms with the State Supervisor of Banking and they held wild parties together, etc. and the case is still pending with quite a loss to individual depositors for loans made to tobacco men on this tobacco paper and it just occurred to my mind the great advantages of Federal supervision over State supervision. This bank had a loss of something like a million and a half dollars just recently.

MR. NEWTON: The rest of the fellows have taken the best examples so this really leaves me with only a few which really I doubt you are going to consider horrible examples. One instance which occurred several years ago at Crystal Springs, Texas, happened this way. I went out there to make an inspection on an application and saw the man who was running the warehouse and we went down to see the warehouse. When we got there I found it was only one of those open air warehouses with a wire fence around a quarter of a block of land, which of course let us out. The point is this. When we got back to the bank one of the bankers was very much interested in the warehouse Act and incidentally said to the fellow running the warehouse, "I have a bale of cotton in your warehouse that I have had there for 8 months. I better go down there and see that bale." We went on back down to the warehouse and laying in one corner of the lot in the weeds we saw a bale of cotton. We went over and looked at it--it just wasn't cotton any more. The banker did not know of this condition at all and said, "I have your warehouse receipt up there but I have no cotton." "What will you give me for this warehouse receipt?" The warehouseman looked at the bale and said I will give you $1.50 for the cotton. This example illustrates the fact that warehousing has a value from the standpoint of protection.

Another instance happened at Memphis to the Federal Reserve Bank several years ago, which was a case of substitution of collateral. I do not know what money was involved but evidently the Federal Reserve

Bank did not suffer any loss but it ended in putting into effect the system of classification of cotton receipts, A, B and C's. It seems that the practice at Memphis which was perfectly satisfactory to them until they awoke was that people who borrowed money from them and had their receipts there were permitted to take certain receipts out and put others back. In other words, they substituted collateral. They finally awoke to the fact that the fellows had been taking out receipts for the high grade cotton and putting back receipts for very low grade of cotton. It awoke them to the value of proper identification of the bales and proper statements on the bales.

Another instance that I would cite is in regard to the situation that is in effect at one of the most important cotton points in the territory west of the River. It is a horrible example in a way. The common practice at that point is to issue receipts, incidentally block receipts, with no limitation on the number of bales covered or any description except that it covers perhaps 150 bales marked X, Y, Z. They do not require the return of the identical receipt. If a man wants to sell or get 100 bales of cotton out of a warehouse, all he has to do is surrender 100 receipts. It probably does not develop any loss but is a practice in that district which up to now has been satisfactory to everyone concerned and from which we have been unable to break away from.

MR. DUTCHER: We of the Pacific Coast did some team work so there is no chance of stealing each others thunder but I am going to say that this is not the case that it was agreed I should cite.

The Topping Implement and Grain Company of Oregon was licensed under the Federal Act. The president was also sheriff of his county. The bond agent called up one morning to say that Topping had left for parts unknown and that they were acting on his bond and also on his warehouse bond. That was a clue that might mean anything. Within 24 hours we had an inspector at the warehouse and the first preliminary inspection showed that the house was short several thousand sacks. We found they claimed they had shipped grain under verbal instructions from the people in Portland who were holding the warehouse receipts, which was the Grain Growers Cooperative Association. The next thing we had the manager come to Portland and in discussing the case with him he said as soon as the case was squared he was going to take his wife and family and go to Arizona. One of the inspectors told us that the case was not cleared up and he did not get away. We got the warehouse receipts from the Grain Growers Corporation but first we got the auditor at the office. I asked him to bring the warehouse receipts that afternoon but he decided it was too late. I then asked him to have them at the warehouse at 9 in the morning but he could not. It appeared the receipts were at the bank as collateral. After the bank opened we cancelled the receipts and then followed the case through to a successful conclusion so there was no loss to the depositors. In

the final analysis it was found that the concern was forced into bankruptcy, a receiver was appointed, and there were warehouse receipts outstanding but the warehouse was empty. Then the question came up as to the position of the holders of the warehouse receipts. The case was in the court and the attorneys argued on one side that the depositors and holders of these receipts should be pooled with the other creditors. The argument of the opposing attorneys was that the grain was identity preserved and the individuals were entitled to their grain, but there was no grain there for them. The court decided that they were either entitled to their grain or its market value. There being no grain he issued an order to the receiver to pay the market value for this grain as represented by the receipts so long as there was any money left in the treasury and that just about cleaned them. The receiver was opposed to this ruling of the court because he realized that it would wipe the slate clean and he probably would be unable to collect for his receivership. The last time our inspector went there, he went with instructions to stay on the job until the case was closed, but it was largely through his efforts that the case was finally closed and the court decided as it did.

MR. C.C. BROWN: Out in the Pacific Northwest we have had a good many recent examples of warehouse failures. The one I am going to tell about is one which I think failed in November, 1924, the Green Valley Union Warehouse Company at Sphrata, Washington. This is a pretty good example of a failure on the manager's part to carry out any good warehousing practices. This fellow shipped out wheat that was in storage; he changed the records of the company and did just about everything a fellow could possibly do that would be contrary to warehousing regulations. I will read a statement which the trustee of this company has put out as a result of a rumor that was circulating to the effect that the company had made $22,000. in three years where as a matter of fact it had a loss of over $9,000.

"To the Stockholders and Creditors of the Green Valley Union Warehouse Company.

"On account of a false rumor that has been circulated that this company had made twenty-two thousand dollars in the last three years, when in fact it has been run at a loss to the company of over nine thousand dollars, we thought it advisable to send you the enclosed statement of the condition of its affairs as is shown by the following figures:

Report of Auditors Richards and Wilson of May 28, 1921.	Report of Auditor L. F. Reinhard of Nov. 17, 1924.
Indebtedness..... $37,624.85	Indebtedness..... $28,314.39
	Indebtedness reduced.....$9,310.17

Assets		Assets	
Consisting of notes, cash, accounts, and stock of goods.....	$38,285.85	Consisting of notes, cash, accounts and stock of goods.....	$19,544.65
		(Loss.....	$18,741.20

Business operated at a net loss during the period from May 28, 1921 to November 17, 1924 of.....$9,431.00

"In addition to the above and to give you an idea of how the business was managed during that time we quote a few paragraphs from the auditors reports and statements taken therefrom:

"It cost $6.50 per ton to handle your grain, this cost does not include manager's salary, plant depreciation, or interest on either borrowed money or invested capital, but just the cost of handling grain, if that was included the cost would have been ten dollars per ton.

"The manager's salary amounts to $2400.00 per year, 4 years and 3 months it amounts to $10,200.00.

"$2400.00 amounts to 3 cents per bushel on 80,000 bushel
$6.50 per ton equals 19-1/2 cents per bushel
$10.00 per ton equals 30 cents per bushel

"(From L. F. Reinhard's Report)

"It is manifest however that the corporation not only lost more in the fiscal year ending May 31, 1924 than is shown in the report but also lost more money during the fiscal year ending May 31, 1923 than is disclosed by the report of that date.

"Section 1 of Article 6 provides that employees must not engage in speculations or options.

"Section 2 Article 6 provides that no funds be loaned and that the corporation is not to enter into speculation. In my judgment none of these provisions have been complied with.

"The books show that the management speculated in wheat by selling stored wheat to the extent of about four thousand bushels the price went up causing a considerable loss to the company. The books further show that the manager purchased wheat he had an interest in and after the wheat advanced about ten cents he cancelled the sale and resold the same to the company; while making a gain for himself the company had to stand the loss. When the shortage became known the manager sold all wheat he or his family had an interest in.

"The by-laws prohibit loaning money, and the stockholders seem to be under the impression that no credit was to be extended; however the manager did both to the company's loss to the extent of several thousand dollars.

"When some of the farmers sold their wheat the manager withheld from them the amount of taxes that would have to be paid upon the wheat, and with only two or three exceptions he was interested in, he did not pay the taxes, but used the money to take up the shortage in the wheat. The amount withheld and not paid to the treasurer was $567.28.

"Among the notes listed in the report of Richards & Higgins of May 31, 1924 appear various notes amounting to $2,588.22 as missing, no explanation was offered what became of these notes, notwithstanding such notes were acknowledged to have been in the possession of the corporation subsequent to May 31, 1923.

"A careful examination of the ledger sheet for the wheat account shows that the same has been tampered with and rewritten. The balance on the ledger as of May 31, 1924 as now constituted shows a balance of $12,088.74. The balance shown on the trial balance book as of that date made originally by the bookkeeper shows $11,002.64, or a difference of $1,086.10. This difference resulting in favor of the management.

"This statement can be verified at any time from the books, auditor's reports and the proceedings held before the referee in bankruptcy.

William M. Clapp, Trustee"

This company operated some three or four years but did not have a single audit of its books. Now they are trying to reorganize. No prosecution has been instituted against the fellow who caused the loss. We, at least, think the books should have been audited in four years. Had this warehouse been operating under the U. S. warehouse Act, the inspectors would probably have discovered that the manager was violating the by-laws of the company. We would probably discover it when checking up the financial ledger. On the other hand, this might have been discovered when an original examination was made of the warehouse.

MR. CUNNINGHAM: I have in mind the Shreveport case. I believe that was in 1922. Mr. Loeb operated the Loeb Compress at Shreveport. The receipts in this case were held by the Commercial National Bank at Shreveport. The cotton originally existed that he issued the receipts for, but he shipped the cotton and left the bank the holder of the receipts. Mr. Store, who is now at the American Compress & Warehouse Company, was at that time employed at the Loeb Compress Company, probably as foreman of the press, and also Mr. Owens, who is still the engineer of the plant, which by the way, is now operated by the American Compress & Warehouse Company.

It so happened the office of the compress was up town and the men were given instructions to ship certain bales of cotton. They never saw the receipts at all, but when it came to a show down the cotton was not there when the Commercial National Bank asked for it. The result was the bank took over the compress and stood the loss. An organization was then formed known as the American Compress & Warehouse Company, which is now under Federal license. I had occasion to talk with officials of three banks in

Shreveport and they mentioned the question at that time, so I explained what the act and regulations were and they expressed themselves as thoroughly sold on the Warehouse Act and they wouldn't consider anything else. I don't know the total loss but it was in the neighborhood of a million dollars. It was not less than that I am sure. I think Mr. Loeb probably owned most of the cotton himself and issued receipts to himself. Of course there was factors cotton in there too. Loeb later killed himself. The whole thing was caused because of no supervision; just taking his word for the fact that cotton was in storage when he should have notified the bank that the cotton had been shipped out.

MR. NEWTON: I'd like to make this statement in connection with that particular case - that incident was the particular cause of the licensing of the American Compress & Warehouse Company. When we went to see the banks and presented the Warehouse Act to them, they immediately "fell for it", to use the common expression. They saw where a thing like this couldn't happen under our system and so as a direct result they applied for a license and have been operating ever since. I'd like to make this point - part of that loss was occasioned in this way - it has already been stated that Mr. Loeb committed suicide when this thing was found out - the office of the compress company was up town and Mr. Loeb's instructions were that the receipts should be cancelled up town and really part of the loss was occasioned at the time the cotton was delivered and the receipts did not come up for cancellation but were still used as collateral. We, of course, take care of all such cases by provisions of the law, and the regulations provide for effective cancellation of receipts.

MR. HUFFMAN: Our Mr. Brown has already told you this afternoon there have been several failures of grain warehousing concerns in the state of Washington very lately. The specific case of which I shall tell you about has occurred within the last thirty days, a receiver having been appointed for the firm, the Union Elevator Company at Edwall, Washington. The loss to the depositors has not yet been definitely decided. The losses have been estimated to be from $10,000. to $50,000. A considerable number of receipts are said to be outstanding for which there is no grain at this time on hand.

When I was in Edwall last summer, I was told about a bad habit of consigning grain. When the manager found it convenient he would ship the grain to some terminal point which was covered by a receipt outstanding stating the grain was in his elevator. He has a division on his receipt authorizing him to do so. I thought at that time that would eventually lead to trouble. The peculiar part of this case is that this manager was the father of two men, partners in a grain brokerage business in Spokane. They failed about two weeks before he failed, which indicates that perhaps some of his consigning had been done to his own sons.

I believe that the loss to the depositors could have been prevented by our examination service. I believe this series of failures has caused more eyes to look toward the Federal Warehouse Act as a possible and probable means of preventing these failures - more than ever occurred in a similar period before.

MR. TREADAWAY: I cannot give you all the facts concerning a case we had with one of our licensed warehousemen; - The Jewell-Loudermilk case. It has been some eight or ten months since I have seen the files on this case.

I went to Gainesville as a witness in this case. A warehouseman by name Jewell-Loudermilk Company issued some licensed warehouse receipts in 1921, 1922 or 1923. Some thirty odd receipts are involved in the case now pending before the court. These warehouse receipts were issued to various depositors in and around Gainesville. The petition to the court by the plaintiff reads that one L. R. Sams is holding thirty-two warehouse receipts issued by the defendent, the Jewell-Loudermilk Company, our licensed warehouseman. The petition is presented in two counts. One quotes receipts - 19 receipts which are cancelled by alteration of signatures on the receipts; the other receipts are not cancelled.

The petition, of course, goes ahead with the regular legal form and recites or order receipts. I believe one petition recites too L. R. Sams has presented these receipts to the warehouseman with the willingness to endorse, however, I do remember the receipts are not endorsed.

MR. CROUT: Receipts were issued to the farmers and one man Hulsey and never had been endorsed. L. R. Sams and Jewell-Loudermilk Company are under contract with J. L. Hulsey never to endorse those receipts at all.

MR. TREADAWAY: When I reached Gainesville I expected the case to come up and it was called but when it was finally called L. R. Sams wanted to change the name of L. R. Sams, a corporation, and of course it was thrown out of court. The Judge asked a few questions but it was thrown out. He asked me should the receipts be endorsed. I told him the receipts were order receipts and I recited specifically that receipts should be endorsed if the warehouseman should demand it.

I forgot to say that our records show that all thirty-two receipts have been at one time in the warehouse and have been checked as cancelled receipts.

MR. CROUT: I think I know at what inspection those receipts were checked off by the check marks and various other things. It appears that one of our men was in Gainesville at a certain time and found the warehouse short some 99 or 100 bales of cotton or cancelled receipts and asked the warehouseman to produce them. He went up town and as best we know came back with the receipts and they were checked off the records. It was the practice of the warehouseman to tear signatures from the records and it is possible he did not tear all signatures. He cancelled them from his records and they were not properly cancelled on the face.

MR. TREADAWAY: The case is coming up again, I was told by Mr. Sams in the fall, again this summer. He says he can show shipping records on thirty-two bales, but I don't think so because there was substituted cotton. However it is our plan to trace down a few of these bales to the buyer just to see what happened so far as these particular bales are concerned.

I have in mind a case that happened in Alabama in 1920, at which time I was connected with the Federal Reserve Bank in Atlanta. It appears that the First National Bank in Alabama was operating a warehouse in connection with the banking business. They would receive cotton from various customers, store the cotton in their warehouse and issue their own warehouse receipts and this receipt said "Form of Warehouse Receipt" and was signed by a different man from any official of the bank. They would take these receipts, loan a man money on his cotton and in turn rediscount with the Federal Reserve Bank at Atlanta. You know, of course, the Federal Reserve Banks maintain inspection forces to take care of warehouses not licensed in the six districts. I made an inspection of this warehouse. After checking cancelled receipts from the records, I had a list of cotton supposed to be in the warehouse. I went down to the warehouse and found I couldn't tag check the warehouse as was our practice except at compresses and found the cotton was tiered five and six bales high. The cotton was twisted this way and that way. I found I couldn't count up accurately. It fell fifty bales short. I told the manager of the bank I didn't think the stock would balance. I told him I'd be back the next day. The Manager counted stock for me the next day and he also counted fifty bales short. I went to the bank and told the clerk and demanded his file on rediscounts with the Federal Reserve Bank. He produced them and they did rediscount a note for $5,000. secured by 44 warehouse receipts, and the numbers were listed on the records. So I went back to the records and found the date the cotton was received. I knew cotton had been delivered since the last receipt was issued. I couldn't find on their shipping records whether 44 bales had gone out in the meantime, but I wired to the Federal Reserve Bank at Atlanta to wire me the number of the receipts. In the meantime I went to the local freight office and found 44 bales of cotton had been shipped to compress at a nearby town. I followed that shipment to compress point and found a compress receipt had been issued to that bank for 44 bales, giving private mark insured by bank. I had to find out where compress receipt was. The only thing I could resort to was to consult the Bank Directory and I found out the corresponding bank to be the National Bank in Dothan. I found the National Bank examiner and told him the status of the case. I wanted to know what had become of the receipt - whether it was rediscounted. He promised me the information. He took me in and there was the receipt in the bank at Dothan. The Federal Reserve Bank at Atlanta called the loan and the National Bank at Dothan called its loan. I understand the loans were paid up on time and everything came out all right but it was a hot time for me in the small town.

MR. DUTCHER: A Spokane Bank had loaned money on grain stored in a warehouse operated by a farmers' concern at Clyde, Washington, and held state warehouse receipts as collateral. The President of the bank was driving across country and stopped at the warehouse and to his surprise found the warehouse empty. He immediately called his bank on the long distance phone and advised them of the depletion and set machinery in motion to make the collection.

He also found that other parties who had loaned money on the same kind of collateral had made the discovery prior and they were in a quiet way endeavoring to make their collection.

No suit was brought, either as a civil or criminal action, but pressure was brought to bear upon the manager of the concern who was responsible for the condition and the issuance of fraudulent receipts for grain that had never been received at the warehouse. The father of the manager mortgaged all of his property; made good on the son's loss, which amounted to some $40,000. The banker was asked why criminal prosecution was not made. His reply was that they were not interested in putting any man in the penitentiary but they were interested in making the collection. He could not see that there was any particular thing that they might gain by criminal prosecution.

MR. FRAZER: I have in mind a case that is rather remote about 1908 or 1909. It was a case of cotton warehouse in my home town of Tupelo, Mississippi, which was a case of mismanagement and fraudulent issuance of receipts. This was caused by the neglect of the warehouseman, who, it later developed, turned out to be a drunkard. He allowed an old negro to handle and sample the cotton at the warehouse. This negro was a well educated negro who wrote a good hand and this fellow through his drunken neglect went so far as to allow this negro to sign warehouse receipts so it developed that this negro would go out and sample a bale of cotton that was already in stock, wrap it up and he had some assistance of course (one or two country negroes) who worked with him on this scheme and they could sell the cotton without creating any suspicion. So he would issue a fraudulent receipt and go out and take a sample out of some bale already in stock and send it on to the bank. This went on for a period of six months before it was detected. When these receipts came in and the cotton ordered shipped, they found they were about 100 bales of cotton short that never existed. They ran down the negroes and put them in the penitentiary. The loss amounted to about $10,000.

This warehouse is still in existence in Tupelo and I think Mr. Crout has had some inquiry probably in regard to their coming under the Act. The owners of this warehouse were in no way responsible. They are now and were then one of the best and most responsible business houses in that section. The Clark Grocery Company it is now. I wouldn't want you to get the impression they were responsible other than to allow this drunken manager to stay there long enough for this thing to occur.

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I have noticed recently, within the last couple weeks, there was quite a loss at the Union & Planters Bank on account of warehouse receipts given as collateral. The receipts were accepted by a former Vice President of the bank who has now left Memphis and is no longer connected with this bank. The deal was put over by W. R. Farr & Company. They put up receipts as collateral which stated they owned cotton worth 30¢ a pound which was really worth about 4¢ a pound. These receipts actually represented linters.

Of course if they had had our receipts, it would state linter. There were in all about 1300 receipts involved. They also in some cases made two receipts out of one. It is reported out of 1300 bales 2600 were made and loans made on the receipts covering the 2600 bales. The Bank is obliged to write off a loss of about 2,000,000.

MR. MOBLEY: I know of one failure which happened several years ago in Macon, Georgia, The Willingham Warehouse Company. Something like 3/4 of a million loss was involved due to fraudulent issuance of receipts. They had no cotton but had quite a bunch of waste in the warehouse and this waste was supposed to take care of the cotton.

MR. CROUT: Just about three months before this failure came to light in Macon, we interviewed Mr. Willingham and he told us very briefly he had no use whatever for the United States Warehouse Act.

MR. PARR: It so happens I don't have to go far from home to tell my tale. The warehouse at my home town I think was at one time about the worst mismanaged place I ever saw. I have a list of the things they did, and after reading them I want to Ask Mr. Crout to give a little report on the warehouse since the time it became licensed:

Damages to stored cotton at the warehouse in one year was more than one-half the capital stock.

Issuance of duplicate receipts without requiring any bond.

Substituted cotton.

Delivered cotton without return of receipts.

Allowed cancellation of insurance by the purchaser of the cotton without notation being made on warehouse record.

No proper method of cancellation of receipts.

Receipts were not kept after delivery of cotton, which were scattered throughout all the warehouse.

Mr. Crout in 1920 was instrumental in having put this warehouse under the United States Warehouse Act.

MR. CROUT: It is a picture, as I understand it, before and after. I just want to say briefly that we did take into the system this warehouse about which Mr. Parr speaks in 1920 and we have had no reason whatever to find any fault in the management of the warehouse since it has been operating under the Act. Probably the first year of operation, the volume of cotton was such that it wasn't stored in accordance with our requirements so that we could tag check it. Mr. Parr soon remedied that. At first we required all cotton in storage at the time license was issued should have receipts for that cotton surrendered and licensed receipts issued for it. Mr. Parr had them carry out that requirement. That put the warehouse records in good shape and they have been kept that way ever since. Mr. Parr has been with us less than two years. This incident of which he spoke happened there before he came with us.

MR. TRUEMPER: I have in mind an instance which will show the advantage of shippers surrendering warehouse receipts when they ship stuff. There was a merchant down here in Arkansas, near Pine Bluff, who had some cotton stored at Pine Bluff. He shipped the cotton but did not send the warehouse receipts along with the shipping order, probably promising the sending of them later on. Anyhow, the cotton was shipped. These receipts remained outstanding for a period of about three years and the fact that they were outstanding for that long was brought to the attention of two of the company's auditors over three different audits. At any rate, it was finally found out and was brought out in an auditor's report that there was a possibility of these receipts being still outstanding. A short time after the receipts turned up demanding the cotton. There was quite a bit of controversy over it. There really never was any loss entailed, except they turned up three years after the cotton was shipped.

I have in mind another instance in which the losses reached the million dollar mark. It was the Leo Lesser incident in Mississippi. It happened a number of years ago and the loss came through the issuance of block receipts. I couldn't get the details of that. I happen to know the banker of my home town lost $150,000. through the issuance of these fraudulent block receipts.

MR. CROUT: We have in Georgia a cooperative marketing association handling peanuts. This association has had some difficulty in having its peanuts warehoused. This is probably due to the fact that warehousemen in that locality have not been entirely familiar with storage of peanuts. They rather prefer storage of cotton and warehouses are not constructed for proper storage and handling of peanuts in accordance with our regulations.

This association arranged with a certain number of warehouse people to store peanuts at so much per ton per season $2.50 or $3.00 per ton and these warehouse people in a good many cases had very poor financial statements and very poor warehouses and for those two reasons considerable time elapsed between the time we made the original examinations and the licensed were issued. In the meantime, season of 1924, the peanuts were harvested and were coming into the warehouses very fast. Applications had been submitted for licenses and arrangements had been made for borrowing money on the peanuts on licensed warehouse receipts from the Intermediate Credit Bank at Columbia, S. C. The peanuts came into these warehouses in two or three cases before we issued the licenses. Non-licensed receipts were issued against these peanuts pending final action on the part of the Washington office with reference to the issuance of the licenses. One day I was called by telephone by the Federal Reserve Bank and inquiry was made with respect to non-licensed receipts issued from a particular warehouse in South Georgia. I replied that the warehouse had not been licensed but we had an application pending for license. The Federal Reserve officials knew that we had applications from a number of peanut warehouses and they wondered why non-licensed receipts had been issued from this particular warehouse. While my explanation was satisfactory to the Federal Reserve

Bank, it occurred to me it might be well to find out from the Federal Intermediate Credit Bank at Columbia whether or not licensed receipts were held from this particular warehouse, so I wired the bank at Columbia and in a very short while I received reply stating that there were a certain number of receipts issued by this warehouse under the United States warehouse Act. The next morning Mr. Parr was detailed to make an inspection of this warehouse. He found a duplication of receipts had been made at this particular warehouse. They had issued both non-licensed receipts and licensed receipts against the same peanuts. However, at that particular time licenses had been granted, but the licensed receipts had been dated prior to the issuance of the license. Altogether we found that the duplication at that particular warehouse amounted to about 60 tons. The Federal Reserve Bank was holding licensed receipts in an amount of about 60 tons and we found at another warehouse the same condition existed. We never did finally determine the overlapping of receipts at that other warehouse because some of the non-licensed warehouse receipts were held by local banks in middle Georgia and we don't know just where these receipts were but we immediately requested the local warehouseman at the first warehouse about which I have been talking to recall the non-licensed warehouse receipts and have them cancelled, and they were very promptly surrendered to the warehouseman for cancellation. We found that the warehouseman was accepting instructions from the peanut association. In other words, the peanut association instructed the warehouseman to issue the non-licensed receipts before the license was issued and then they thought the license was issued and instructed the warehouseman to issue licensed receipts and promised to return the non-licensed ones, which hadn't been done. We had quite a little stir with reference to that situation. However, we got matters all adjusted and no losses occurred. The association was involved there to the extent of issuing instructions to warehousemen and we had an understanding with the association and the warehousemen that we would instruct the warehousemen with respect to issuing receipts. Two or three licenses were suspended by Washington. After the facts were known and after considerable begging on the part of the association to make proper amends, the licenses were reinstated. This incident will show the value of our inspection service to the Federal Reserve and Intermediate Credit Banks.

There was a very close similarity in the forms of the licensed and non-licensed warehouse receipts. (I have already talked on the value of our supervising the printing of warehouse receipts). It took a pretty close examination to determine the difference. In some cases they had used old stock of receipts and in other cases had scratched out the names of warehouses for which they had been printed previously and had inserted the name of the warehouseman for 1924. In a good many cases they hadn't stricken out the words with reference to the United States warehouse Act. This raised the suspicion of the Federal Reserve Bank. In many cases the licensed and non-licensed receipts were the same color. If they had left off every reference to the United States warehouse Act it would take close examination to determine it was a non-licensed receipt and not a licensed receipt.

MR. WADE: The case I have in mind is the Union Warehouse & Supply Company at Grangeville, Idaho. It happened to be a competitor of min three or four years. I was operating under the United States Warehouse Act, but this case of shortage just happened to turn up the first of last July. The manager of the concern was let out at that time. At the time he was let out they had an audit of the books by a certified accountant. There was a shortage of 25,000 to 35,000 bushels at the warehouse. At that the director's of the company, wouldn't accept the report. The directors were almost sure the enteries the manager made in his book were not correct but this loss was to be explained to him. This company being a farmers' institution and owned by farmers was paying this man a salary for running it, but the main thing was he was shipping out grain brought to the receiving station about as fast as it came in. It was to be reserve stuff. He was putting it out trying to get all storage he could, but it happened at this last audit that came in they were suspicious of it. It has been brought to the peoples attention and there have been receipts brought in from up to three years before when a man selling grain would come to the warehouse and there was no grain. The manager was not prosecuted. The stock holders of the company have decided to take up this loss. It was a case where the stock holders of the company are standing the loss rather than put a man in jail.

MR. C. N. PULLEY: A man in Stoughton, Wisconsin, who was in the grocery business decided to store tobacco. He issued warehouse receipts and took them to the bank. Later on he sold this tobacco to a firm in Ohio. Business was getting slack. He didn't take up the warehouse receipts. Later on he sold out the grocery business and left for parts unknown. He continued to pay interest on receipts in the bank for about one and a half years after the tobacco was sold and it was through a clerk in the First National Bank where the loan had been made that the fraud was actually discovered.

I know of a certain case of a doctor who issued warehouse receipts on the 1920 crop. The tobacco was sold, the warehouseman at Stoughton didn't call in the receipts, and the tobacco was sold for $1,200. less than the security the bank had loaned on the warehouse receipts. When the bank found about this, they notified the warehouseman and the warehouseman and the doctor paid the full amount the bank was out. This was not an intentional fraud. Neither was the first case I have told you about.

J. P. BROWN: One day a farmer dropped into Columbia, into the office of the State Warehouse Superintendent. He told him he had about 200 bales of cotton stored on his farm and he wanted a license issued to cover the storage of this particular cotton. He wanted negotiable receipts for these 200 bales of cotton. The commissioner said, "Alright, come to my office". He then made up the necessary papers. Then came the question of a manager for the warehouse. The man stated he knew a lawyer in town. This lawyer who never saw the building in which the cotton was supposed to be stored was appointed manager of the warehouse then and there. No inspection of the alleged warehouse was made. After the issuance of the license to the

lawyer as warehouseman, the farmer was immediately given receipts for middling cotton. The farmer then took the receipts to a bank, secured a loan and some time after the insurance man inquired about the cotton. He had inquired several times before and everything was reported "O.K.". "Haven't you heard about that cotton? I had a fire up there last night and came in to have you send an adjuster up there". An adjuster was sent. He found no warehouse, no cotton, but burnt bands scattered all about where the warehouse was supposed to have been. On further investigation we were advised there had never been any cotton. The State Warehouse Superintendent had issued a license without making any examination whatsoever of the property. It was reported that two days before the supposed fire State Warehouse Inspectors had passed by the barn, peeped through the cracks but saw no cotton in the building.

MR. HOLLIDAY: In the Mississippi Valley and the grain trade west of the river are non-licensed warehouses. The only case I know on the west side of the river happened so long ago I don't remember it.

We had a case I'd like to cite - a large terminal house in the grand smash up of 1920-1. Banks woke up one morning and found 500,000 bus. of corn covered by receipts without anything in the house stored at Peoria, Ill. That was a case, primarily due, I believe, to the fact that administration of state licenses was very lax. The superintendent had been sending reports to the registrar giving the amount of grain that was being unloaded into the house and shipped from it. If the registrar had paid any attention to his business he could have seen the grain was not in the house. There was involved a 500,000 bus. loss. The elevator man committed suicide and what the banks final loss was I don't know. This thing would not have happened if they had the supervision under the United States warehouse act.

There was another case recently of a small house in South Kansas where a man was a good elevatorman and grain man. He had the confidence of the trade. He was short a lot of grain and when the price of wheat got to $1.50 and $1.75 he shipped it out. When the price reached $1.80 and $1.85 he traded it also. From fifteen to twenty farmers were depending on this crop to clean up their old debts. This was also a state licensed warehouse. While the losses weren't excessive, they were very deplorable.

We had another case in Kansas several years ago due primarily to the wording of the warehouse receipt, which might be of some value. There was an elevator concern over there and their grain warehouse receipts read to the effect that they stored grain for John Doe for a certain period, I believe one year, and John Doe had the privilege of selling the grain to the warehouseman at any time during that period at his option. They shipped out the grain and failed. The farmers brought suit. The court decided they did not have a warehouse receipt; they had a bill of sale and all they could recover was their portion of the assets from the failure. I have found it is a good idea to call to the attention of the banks the fact that we supervise the wording of the receipts

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We had one case where I think we stopped a material loss in a federally licensed house. This is the only case I know of where a series of irregularities have occurred. I dropped into that house a couple years ago to make a sub-inspection and found the people had about 700 bushels of corn in the house with a warehouse receipt in a Minneapolis bank for, I believe, 8,000 bushels. The party said, and I think it is true, he didn't intend to do so. He was operating a corn mill and when he ran short of corn used the corn in the house intending to replace it later. Of course, we only gave him time enough to phone to Minneapolis and get the receipt back before we reported it to Washington. Our man stayed there until we did get it back. There was no loss. We did report it to Washington and of course he lost his license. I have been using that very effectively with the banks citing the next time he got into trouble it might be for twice as much; sometime they would show up with a $10,000. or $15,000. loss if it hadn't been for federal service.

Speaking of registration and custodianship, I know of a case not long ago where it is entirely possible the fact that there was a registration and custodianship prevented a loss. In this case a large elevator concern issued a large number of warehouse receipts for No. 2 hard winter wheat. They had a certain number of No. 2 hard winter, No. 1, 3, 4 and 5. Their elevator superintendent knew he could make No. 2 hard out of the whole. He made warehouse receipts on that basis and the registration system located it all right. The elevator concern in this case wasn't federally licensed but was punished by the grain exchange as they had violated the rules in that case. This case does show the value of the registration and custodianship system for a large marketing house where it is possible to have one.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D.C.

July 29, 1927.

Memorandum on Screenings for Members of Federal Warehousing System.

Gentlemen:

Some question has come up in the minds of licensed warehousemen recently as to whether "screenings" are storable under the warehouse Act. "Screenings" may not be stored in licensed warehouses. Anything that will grade as grain may be stored in conformity with the regulations, but not any "screenings."

Recently "screenings" have proven a prolific source of trouble to some warehousemen who are alleged to have used "screenings" in making grades to fill contracts. We certainly don't want any licensed warehouseman to find himself in a similar predicament. Consequently, it is considered advisable to issue this memorandum.

The Department has been requested to advise what "screenings" are and just what percentage of grain this character of so-called "screenings" has to be before it is out of the "screenings" class. It is difficult to define the meaning of the term "screenings" because of the varying constituents found in the product known commercially under that designation. In the case of wheat for example the official grain standards define wheat as follows: "Wheat shall be any grain which before the removal of dockage contains not more than 10 per cent of cereal grain of a kind or kinds other than wheat. The term wheat in these standards shall not include emmer, spelt, einkorn, Polish, and poulard wheat." (See page 18 of the enclosed Handbook.) Therefore, if the product (screenings) fails to meet the above requirements or fails to meet the definition of one of the other grains for which standards have been promulgated, it is nonstorable and should be received into a licensed warehouse. The licensed inspection service maintained under the United States grain standards Act is available to keep everyone advised as to whether products offered to your warehouse meet the requirements of the official grain standards of the United States. This places warehousemen in a position to determine whether products offered for storage are receivable.

In this connection there is one other point which should be borne in mind i.e., that not all grain which might meet the minimum

requirement of the definition for wheat should be regarded as a proper grain for blending or mixing with wheat of better quality and grade, for the reason that the inherent quality and condition of such low grade wheat or the amount and character of the dockage present may constitute and adulteration within the meaning of the Food and Drugs Act. Cases of this kind can be handled intelligently only by an examination of the wheat or a representative sample of it. In the event that you have any questionable cases, I would suggest that you forward an official sample, drawn by the licensed inspector serving your section, to Mr. R. T. Miles, in charge of General Field Headquarters of Federal Grain Supervision, 1138 Webster Building, Chicago, Illinois, who I am sure will be glad to give you his opinion in the matter.

Very truly yours,

H. K. Holman

H. K. Holman,
Assistant Chief Marketing Specialist.

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November 14, 1927.

Memorandum for Warehouse Staff.
In re. "Field" or "Custodian" Warehousing.

From cases coming to Washington involving so called "field warehousing" or "custodian warehousing", it is apparent some of our men either don't understand what is essential to a sound set-up or they disregard these principles when making an original investigation. The principles to be observed are simple. They are sound. They are in accord with both sound business and law. Hence if our inspectors will thoroughly acquaint themselves with these principles and then take the trouble in a business like way to present them to the various persons we are aiming to serve they should have little difficulty in securing set-ups which we can approve.

What will constitute an acceptable set-up in custodian warehousing was outlined on pages 10-11 of "The Warehouseman and the United States Warehouse Act." I personally gave close attention to the manuscript of that pamphlet in the hope that it should serve as a guide to our own staff as well as the public. Every member of the staff is now directed to digest that outline. Before he finishes an original inspection involving custodian warehousing he should check his reports to see that all steps as outlined have been followed. To reinforce what was said in the pamphlet I am restating for the careful attention of each member of the staff what must be observed. Where the operation of any field warehouse licensee does not square with the outline every effort should be made to effect the necessary changes, even to the extent of suggesting that unless the adjustments are made Washington is likely not to consider a further continuance of the license beyond the period covered by the present effective bond.

1. The person, firm, or corporation that leases the warehouse from the owner must be wholly disinterested as far as depositors in the warehouse are concerned. There must be no relation either by blood or by interlocking directorates or by stock ownerships.

2. The original lease must be duly recorded unless there is a statutory inhibition against recordation of leases.

3. Copies bearing genuine original signatures of the original leases or copies of the originals certified as to signatures shall be forwarded to Washington,

such copies to be marked "copy", while the originals should be plainly marked "original" and retained by the warehouseman. The certification of signatures may be made by our examiners.

4. Examiners must thoroughly investigate the relationship between lessors and lessees; and either check the court record to see that the leases are recorded or attach a certificate of recordation to the reports. This certificate will be returned to the warehouseman. If the examiners check the records they must certify in their reports that they did so.

5. The warehouseman must have and exercise absolute and actual control of the licensed space. This must be made plain in every case.

6. The licensed space must be substantially separated from any non-licensed space. It must be kept substantially locked and the owner of the building and depositors, their employees and agents, must be denied access to the licensed space except when in the presence of the warehouseman or his authorized agents. No one other than the licensed warehouseman or his authorized representative shall be permitted to have the custody of any key to the warehouse. If there is any doubt whatever as to whether or not all of the keys to the warehouse are not in the possession of the warehouseman, the warehouseman will be required to provide new locks and keys before the house can be licensed.

7. At no time may goods be placed in the warehouse or removed therefrom by any person other than the licensed warehouseman or his duly authorized agents except with the consent and in the presence of the licensed warehouseman or his representative. No exceptions will be made to this rule.

8. A custodian or manager of the warehouse shall not receive any part of his salary or wages from any person depositing goods in the warehouse, nor shall he be subject to receiving instructions from anyone concerning the business of the warehouse except from the warehouseman. He need not be a full time employee of the warehouseman but he shall not be a part or full time employee of any depositor who owns or is interested in any of the goods in the warehouse. He cannot perform any services for such depositor either for compensation or otherwise. In other words, the custodian or manager, must be absolutely independent of every depositor. A temporary indempendence such as engaging an employee of a depositor for the period of the lease and then thereafter returning to the employ of the depositor, will not be considered.

9. Signs indicating that the building has been leased by

the warehouseman and is controlled and operated by him must be erected in conspicuous places on each leased building so that they will readily attract the attention of the public. Proper signs must also be placed at each point of entry and exit. Small signs, inconspicuously placed on the outside of the building, or the placing of all signs inside the building will not be acceptable.

This requirement is to provide notice to the public that the warehouseman controls the building. The public cannot be expected to hunt for signs either inside or outside of the warehouse. The signs therefore must be of such size as would attract the attention of the average person, must be clear and legible and must be conspicuously placed. No attempt is made to specify a definite size. Each case must be considered independently of every other case. Small signs that are not readily discernible or that cannot be read without effort by the average passer-by will not be acceptable. The absence of proper signs on each licensed "field warehouse" following the issuance of the license should be immediately reported to Washington. Impress on the warehouseman delay in placing proper signs will not be tolerated.

10. All through your inspection bear in mind the big thing to be accomplished is "Disinterested Custodianship". Anything coming to your attention which suggests a lack of disinterested custodianship and complete control and dominion by the warehouseman will merit your closest investigation.

In attempting to create a 100 per cent disinterested custodianship you will frequently encounter opposition on the part of those who need the service most - those who want to borrow. A little thought along the lines of benefits to be derived, the Federal Reserve Boards repeated rulings stressing the need for disinterested custodianship, desirability of having a set-up so thorough that it will at once make the collateral appeal to the banker, the possibilities for more and cheaper financing on a collateral basis and a number of other arguments all ought to be borne well in mind by each examiner so that he can convince an applicant that we are seeking to give him the best and to serve him.

"Field Warehousing" or "Custodian Warehousing" is spreading but due to practices of certain warehousemen and the character of set-ups in existence it is being viewed with suspicion by certain bankers whose 100 per cent confidence every depositor in a warehouse ought to seek and retain. Leading bankers the country

over as well as leading warehousemen are looking to us to blaze the path. We are not pioneers in "field warehousing" but we are pioneers in insisting upon sound set-ups.

Washington alone cannot do all. The man in the field can do infinitely more on the ground than endless correspondence from Washington can accomplish. The field man can make a friend for the warehouse Act. Endless correspondence usually results in branding us with "red tape". But at the risk of being so branded, if cases are not set-up soundly, Washington will undertake the correspondence and if the difficulties cannot be adjusted will deny the applications. We must proceed soundly. Toward this end we count on the hearty, thoughtful cooperation of every man on the staff.

Very truly yours,

In Charge, Administration
U. S. warehouse Act.

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October 7, 1931.

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN IN ARKANSAS.

In the tariffs of practically all warehousemen in Arkansas appears a charge for the benefit of the Arkansas Cotton Trade Association. Back in 1922 this office had occasion to raise a question as to the reason for that charge. In fact we took exception to the charge for it appeared that the charge was made arbitrarily against each and every bale of cotton entering a licensed warehouse. In the course of correspondence between this office and the Secretary of the Arkansas Cotton Trade Association it was represented that the charge was made only against cotton belonging to members of the Association. The Department finally ruled that if that were the case it would withdraw its objection but that the schedule of charges had to contain a notation to the effect that the charge would not be made when exception was made by the depositor.

Following that the tariffs of the licensed warehousemen contained due notice to that effect. Since this time it appears in some cases that the charge has been increased to a cent and a half per bale and this year we have noted tariffs with a charge of two cents a bale. Moreover we have noted that a number of tariffs have omitted the qualifying clause that the charge would not be made when objection was made by the depositor.

This memorandum is addressed to all licensed cotton warehousemen in Arkansas and is to advise that if that charge is to be made it must be stated in the published tariff, and the statement must clearly indicate that the charge will not be made if the depositor objects thereto.

If your tariffs have been printed for this year please make proper notation by the use of a rubber stamp and forward a copy of the corrected tariff to us.

Very truly yours,

H. S. Yohe,
In Charge, Administration
United States Warehouse Act.

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March 9, 1928.

SUPPLEMENTAL
MEMORANDUM FOR THE WAREHOUSE STAFF

In re: "Field" or "Custodian" warehousing.

On November 14 we issued a memorandum in which we tried to give the field men an idea of the basis on which we feel that custodian warehousing ought to be conducted. At the conference held in Washington between February 20 and March 3, the subject of custodian warehousing was one that received considerable discussion. Some of the men felt that our memorandum of the 14th was a little too strong and, in fact, I personally felt, prior to the conference, that we might want to amend one section. One purpose in bringing up the subject at the conference was so that we might give those representing the different field offices a clear conception of our views of custodian warehousing, the dangers inherent therein if it is not properly set up, and so that they might have a first-hand picture of the different fields in which custodian warehousing might function.

We now write to say that we believe we can safely amend the paragraph numbered 1 in our memorandum of November 14, 1927, so as to read:

> "The person, firm, or corporation that leases the warehouse from the owner must be wholly disinterested as far as depositors in the warehouse are concerned, except that if the warehouseman is of the corporate form stock ownership in the warehouse company by a depositor will not per se bar such depositor from the right to store in the warehouse. However, such stockholder-depositor must not gain a controlling interest nor occupy any managerial position in the warehouse organization. There must be no blood relationship between the warehouse management and depositors."

We also believe that we can amend the paragraph numbered 6 of our November 14 memorandum to read:

> "The licensed space must be substantially separated from any non-licensed space. It must be kept substantially locked, and the owner of the building and depositors, their employes and agents, must be denied access to the licensed space except when in the presence of the warehouseman or his

authorized agents; provided further, that if watchmen in the employ of the owner of the building are transferred to the employ of the warehouseman and their entire salaries paid by the warehouseman, such watchmen may have a key and have access to the warehouse or warehouses. No one, other than the licensed warehouseman or his authorized representative or watchmen shall be permitted to have the custody of any key to the warehouse. If there is any doubt whatever as to whether or not all the keys to the warehouse are not in the possession of the warehouseman, the warehouseman will be required to provide new locks and keys before the house can be licensed."

Beyond these two amendments to our memorandum of November 14 we do not feel we should go. We think these amendments if properly interpreted and our inspectors will perform their duty in seeing that they are respected should meet all conditions which are deserving.

In this connection, we again want to emphasize the desirability of suggesting to warehousemen, especially those seeking to serve the canner, the bin arrangement method that we presented to the conference. If anyone is not clear on this arrangement, we want him to write us at once and get a definite conception of it. There are big possibilities in it. In fact, in a lot of cases it is the solution to what otherwise seems a difficult problem.

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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MEMORANDUM CONCERNING REMOVAL OF GRAIN FROM FEDERALLY LICENSED WAREHOUSES.

Those administering the United States warehouse Act have been urged to sanction the removal of grain covered by outstanding warehouse receipts before the receipts were surrendered to warehousemen for cancellation. It is unlawful for Federally licensed warehousemen to do this.

Section 30 of the United States warehouse Act was amended during the last session of Congress so as to provide a very heavy penalty to prevent this very thing. The section as amended now reads:

"That every person who shall forge, alter, counterfeit, stimulate, or falsely represent, or without proper authority use, any license issued by the Secretary of Agriculture under this Act, or shall violate or fail to comply with any provision of Section 8 of this Act, or

> Shall issue or utter a false or fraudulent receipt or certificate, or
>
> Any person who, without lawful authority, shall convert to his own use, or
>
> Use for purposes of securing a loan or
>
> Remove from a licensed warehouse contrary to this Act or the regulations promulgated thereunder,

any agricultural products stored or to be stored in such warehouse and for which licensed receipts have been or are to be issued, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined not more than $10,000, or double the value of the products involved if such double value exceeds $10,000, or imprisoned not more than one year, or both, in the discretion of the court, and the owner of the agricultural products so converted, used, or removed may, in the discretion of the Secretary of Agriculture, be reimbursed for the value thereof out of any fine collected hereunder, by check drawn on the Treasury at the discretion of the Secretary of Agriculture, for the value of such products

to the extent that such owner has not otherwise been reimbursed."

The conditions under which receipts are issued by Federally licensed warehousemen and the manner in which the stored products covered by outstanding receipts are protected must at all times be sound. Removal of the products, substitution of lower grades, or tampering with them in any manner so as to impair their value while stored in a Federally licensed warehouse and covered by outstanding receipts, will not be permitted.

In some instances warehousemen who operate through terminals issue warehouse receipts for grain at their various country stations and afterward remove the grain to some other point while the receipt is still outstanding. In other cases warehousemen are known to sell grain from the warehouses while the receipts covering such grain are outstanding. Both of these practices are dangerous and Federally licensed warehousemen are not allowed to indulge in them. When you hold a warehouse receipt for security that has been issued by a Federally licensed warehouseman you may rest assured that everything possible is being done to see that the actual grain represented by the receipt is stored in accordance with the terms of the Act and regulations.

Compare the precautions thrown around a Federal warehouse receipt with those surrounding other receipts. If you believe that the former receipt is a better piece of collateral paper, won't you cooperate in extending this work by getting other bankers interested and by bringing it to the attention of warehousemen?

Very truly yours,

H. K. Holman

Investigator in Warehousing.

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April 17, 1931.

MEMORANDUM FOR LICENSED WAREHOUSEMEN.

Gentlemen:

Many licensed warehousemen are familiar with the attempts made in the past two years or more to have the Warehouse Act amended. Some are acquainted with the fact that on March 2 last amendments were actually made to the Act. So that you may be acquainted with the amendments we enclose a copy of the Act as it was prior to March 2 and as it is now. We suggest you compare the latter with the former.

To assist you in the comparison we might advise that Sections 4, 6, 8, 9, 10, 11, 12, 25, 29 and 30 are the sections that were amended.

Prior to these amendments the Act in a number of sections imposed certain duties upon the Secretary such as the accepting of applications, the issuing of licenses, the accepting and approving of bonds, and the suspension or cancellation of licenses. These duties, of course, are all of an administrative character and since the Secretary is charged with the enforcement of a great number of regulatory laws it was quite apparent that he could not personally perform all these administrative functions. Therefore, so there could be no question as to authority to delegate the performance of these functions to some official of the Department other than the Secretary, the law has been amended so as to authorize the Secretary to designate someone as his representative in the performance of such functions. The delegation of such authority represents the change made to Sections 4, 6, 8, 9, 10, 11, 12 and 25.

Section 6 was also amended so as to eliminate that requirement of the law which provided that the bond was given for the faithful performance of the warehouseman's obligations under the laws of the state.

Section 10 has also been amended so as to remove the maximum fee that the Secretary may charge for a warehouse license and it also authorizes the charging of fees for licenses issued to weighers, inspectors, graders, samplers, and classifiers.

By referring to Section 29 of the Act as it was prior to the amendments of March 2 you will note that the law provided that nothing in the Act should be construed to conflict with or to authorize any conflict with, or in any way to impair or limit the effect or operation of the laws of any state relating to warehousemen etc. If you will refer to Section 29 in the

Act as amended you will note that this clause has been eliminated and that now the Act provides that when a person secures a license under the Federal Warehouse Act the power, jurisdiction, and authority conferred by the law upon the Secretary of Agriculture shall be exclusive with respect to all persons so long as the license remains in effect. In other words the Federal Act is no longer subordinated to state legislation, but when a warehouseman secures a license under the Federal Warehouse Act the Secretary then, according to the amendment, has exclusive jurisdiction and authority over the operations of such warehousemen. With that amendment to Section 29 naturally it was proper to change Section 6 so as to not require a warehouseman to file a bond for his obligations under state laws.

Section 30, which is the penalty section of the law, has been amended in two important particulars: (1) it becomes an offense to change in any manner an original receipt or certificate subsequently to its issuance by the licensee; and (2) the jail sentence that may be imposed for any wrongful act has been increased from one year to ten years.

We believe if you will compare the Act as it was prior to the amendments of March 2 and as it now reads you will be impressed with the fact that the law has been materially strengthened and much to the interests of the warehouseman.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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U. S. Department of Agriculture

February 12, 1932.

MEMORANDUM FOR FEDERALLY LICENSED GRAIN WAREHOUSEMAN.

Gentlemen:

Weevil are quire active in stocks of grain in some elevators. To avoid controversies between depositors and warehousemen, we wish to remind you that each licensed warehouseman is responsible for the condition of all grain in storage at all times. The warehouseman is required to keep grain in the same condition as it was when stored, if possible. Sometimes, in spite of the closest attention, grain will go out of condition or become infested with vermin.

The obligations of the warehouseman and the procedure to be followed in handling such grain are set forth in Regulation 5, Sections 20 to 24, inclusive. If a warehouseman will follow the prescribed procedure, he will be in a much safer position in case any litigation should develop. Therefore you are urged to familiarize yourself with the requirements of these regulations and to proceed in conformity therewith, omitting none of the details.

Several methods are being used for checking weevil. Some elevator men are simply turning grain; others are running it thru separators; and in some houses it is being fumigated.

Dr. David A. Price, In Charge of the Bureau of Chemical Engineering, of the Department of Agriculture, who has been studying dust explosions for a number of years, advises that he anticipates a great many dust explosions and fires while old stocks of grain are being turned this year. He also advises extreme caution in using fumigants, most of which are highly inflammable, as well as poisonous.

To minimize the dust explosion hazard, superintendents should keep their houses clean and free of dust accumulations. Electric lights on extension cords should be in first class condition at all times. Every light so used should have a wire guard and be protected with vapor globes. Lights breaking while being lowered in bins and short circuits of various kinds have caused many explosions. Electrical equipment should conform with the standards prescribed by the underwriters. Don't take any chances.

We feel that it is hardly necessary to say anything about the danger of fumigation with chemicals since we assume everyone recognized the danger in handling them and will use every precaution possible.

Very truly yours,

H. K. Holman

H. K. Holman,
Senior Marketing Specialist.

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

AUG 19 1938
U. S. Department of Agriculture

August 6, 1938

MEMORANDUM FOR FEDERALLY LICENSED GRAIN WAREHOUSEMEN

Gentlemen:

As you know, the warehouse Act prohibits discrimination in rates extended to different depositors, and also unreasonable or exorbitant charges. In connection with wheat that is offered in payment of crop insurance premiums to the Crop Insurance Corporation and which wheat will be stored by the Crop Insurance Corporation, the question arose whether a special rate might be made to the Crop Insurance Corporation, since this wheat becomes the property of the Government.

This question was referred to the Solicitor of this Department. He has expressed the opinion that to extend a lower rate to the Government or any of its agencies, such as the Crop Insurance Corporation, would not be violative of the section of the Federal Warehouse Act which prohibits discrimination among customers.

In view of this opinion, and in the absence of anything from the courts to the contrary, you are advised that in connection with any grain which is offered you for storage by the Government or any of its agencies, you are permitted to make a special rate through contract or agreement with the Government or its agencies, and such rate need not follow published and filed tariff that you extended to the public. However, such amendment, or any other amendment made thereafter, to the tariff should be filed with this Department as is required by the Act and regulations.

We hope this will serve as a guide to you in the event that any of the Government agencies should approach you for storage.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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November 26, 1938

MEMORANDUM FOR FEDERALLY
LICENSED GRAIN WAREHOUSEMEN

We are interested in the trend of every Federally licensed warehouseman's business. With a view to helping each warehouseman avoid losses, your attention is directed to the following:

1. "Sick Wheat." We learn from various sources that some lots of sick wheat are stored in quite a few elevators over the country. The Regulations for Warehousemen Storing Grain under the United States Warehouse Act, definitely set forth each warehouseman's responsibility for the condition of grain entrusted to his care. Watch your stocks closely. If any grain appears to be going out of condition, you should handle it as directed by Reg. 5, sections 21, 22 and 23 (page 12 of the regulations). If you will carefully comply with each detail prescribed by the regulations, you may save yourself much trouble.

2. Grain out of Condition and Tendered for Storage. "If the condition of any grain offered for storage is such that it probably will affect the condition of grain in the licensed warehouse, the warehouseman shall not receive such grain for storage or store such grain in his licensed warehouse, but, if the warehouse has separate bins or is equipped with proper conditioning apparatus, he may receive such grain for storage in such separate bins, or he may condition it and then store it in such manner as will not lower the grade of other grain." (Reg. 5, Sec. 20, Par. 1.)

3. Unsound or Musty Grain. The Food and Drugs Act prohibits the mixing of unsound or musty grain with sound grain. Since such grain is a potential source of trouble for any warehouseman, it would be most desirable to keep such grain out of elevators in which stocks of sound grain are stored. If unsound grain is in storage, or must be taken into storage, it would be special binned and kept so stored, until it is loaded out of the house. The U. S. examiners will carefully check all lots of such grain during periodical examinations.

The condition of such lots, in case you have any on hand, will be reported to the warehouse manager following each examination. If it is found that such grain is apt to or is impairing the quality of other grain in the elevator, the unsound grain must be moved to a location where it cannot cause further damage to any other grain that is in storage, and be impounded in a bin as identity preserved grain.

4. Adulterating. Warehousemen are expressly warned against adding musty or unsound grain, screenings or other objectionable materials to any lot of sound grain within an elevator, or into any lot of grain that is being loaded out of the house. It is hoped that no licensed warehouseman will attempt to do this. The Food & Drugs Act prohibits such adulteration. If done regardless of the inhibition, it is almost certain to be detected, and a penalty will be imposed under the law.

5. Mixing. Whenever a depositor surrenders for cancellation warehouse receipts covering grain of different grades, and directs a warehouseman to mix such lots of grain, the warehouseman after canceling the receipts may mix the quantities, kinds and grades of grain specified in the canceled receipts. No other grain whatsoever may be added to such mixture.

6. Turning Grain. There are times when grain must be turned to preserve its condition. Practically every depositor knows that. And it is the warehouseman's responsibility to do everything possible to preserve grain in good condition, but this does not mean that every lot of grain must be turned or that it is necessary to turn the same grain several times. Some lots may never need turning while others may need to be turned several times. It is the duty of all licensed warehousemen and inspectors to follow the grain to see that it is in good condition and if any is not, then the regulations prescribe the course to be followed. Unnecessary turning will not be tolerated. Each warehouseman should keep such records as will clearly substantiate the necessity for turning.

The several items set forth in this memorandum are trouble breeders. Will you kindly cooperate with us in every respect, using your regulations as your guide. Such a course will go a long way to avoid trouble.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
Washington, D.C.

August 10, 1934.

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

On April 10, 1934, we issued a memorandum to all licensed cotton warehousemen directing that thereafter all sampling, weighing, and other services usually performed by cotton warehousemen should be performed only by the warehousemen or their authorized representatives.

Paragraphs 3 and 5 of that memorandum are hereby amended to read as follows:

> "We are now writing to advise that the Department takes the position that all sampling of cotton, all weighing, and other services usually performed by warehousemen should be performed only by them or by their authorized employees, except when such sampling and/or weighing services are performed by Exchange Inspection Bureaus which function in accordance with the regulations of the Secretary of Agriculture under the U. S. Cotton Futures Act and the U. S. Cotton Standards Act. However, under no conditions, save in the presence of the warehousemen, or their authorized employees should anyone be admitted to the warehouses."

> "The permitting of free access to a warehouse of depositors or others without being accompanied by the warehouseman, or officials of the warehouse company, or authorized employees, will be considered sufficient ground for suspension of license."

This amendment does not change the original memorandum in substance except at points where sampling of cotton is done by Cotton Exchanges under regulations under the U. S. Cotton Futures Act and the U. S. Cotton Standards Act. This memorandum is effective at once.

In this connection, the Department feels that all samplers of cotton employed by warehousemen should be licensed under the Warehouse Act. That means that there should be at least one licensed cotton sampler at each licensed warehouse. The total number that will be required will depend upon the amount of cotton stored. An application form is enclosed herewith for use of your sampler to apply for license at once. Additional applications will be sent on request.

It is expected that each warehouseman will furnish the required samples promptly in all cases and without discrimination between depositors.

It is further expected that a reasonable charge will be made for this service, taking into consideration the volume of cotton to be sampled. Representations have been made from some sections regarding this ruling on sampling that it will result in materially increasing the cost of sampling service. This should not be the case. On the other hand since the warehousemen will sample all cotton in their warehouses that is to be sampled it would seem that they should be able to render the service at the same if not a lower cost than heretofore prevailed. An unreasonable or exorbitant charge will not be permitted.

In this connection you are also cautioned against drawing unnecessarily large samples. The Department is of the opinion that generally an eight ounce sample is ample, and in no event should the sample be more than twelve ounces. An eight ounce sample will permit of splitting of the sample. You are directed, however, to see that the sample is representative of the bale, due consideration being given to the condition of the bale as a whole. The sample must be drawn from both sides of the bale.

Very truly yours,

H. S. Yohe
In Charge, Administration
U. S. Warehouse Act.

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
Washington, D.C.

September 15, 1934

MEMORANDUM TO LICENSED COTTON WAREHOUSEMEN

Attached hereto is copy of amendments made to the regulations for cotton warehousemen operating under the United States Warehouse Act. These amendments relate to the sampling of cotton and the licensing of cotton samplers. You will please read the amendments carefully.

In our letter of August 10, 1934 we indicated that all samplers of cotton stored in licensed warehouses should be licensed under the Warehouse Act and at the same time enclosed an application form. Many applications have been filed but on the other hand a great many warehousemen have thus far failed to see that applications were submitted. In our letter of August 10 we stated that there should be at least one licensed sampler at each warehouse.

If you have not yet had an application submitted by someone who is to sample cotton at your warehouse, please see to it that an application is filed immediately. This must not be delayed any longer. Should you need additional applications, please apply to our regional office.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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UNITED STATES DEPARTMENT OF AGRICULTURE
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MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

October 10, 1934.

The Act of March 3, 1927 requires, among other things, that the Secretary of Agriculture publish annually his estimates or statistics concerning the grades and staple lengths of the cotton carryover as of August 1 each year in warehouses and other establishments in the United States. It further requires owners and custodians of cotton, warehousemen, etc., to furnish on request information relative to the quality of cotton on hand and to permit authorized agents or employees of the Department to examine and classify samples of such cotton. For a number of years this work has been carried on with the cooperation of various licensed warehousemen and this cooperation should continue. Our memoranda of April 10 and August 10, 1934 relative to sampling and other services performed in licensed warehouses were not intended to interfere in any way with the performance of work required in conformity with the Act of March 3, 1927.

Very truly yours,

H.S. Yohe,
In Charge, Administration
United States Warehouse Act.

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U. S. Department of Agriculture

November 10, 1934.

MEMORANDUM TO LICENSED COTTON WAREHOUSEMEN.

The Government's proposal this year to loan 12¢ to the farmers on cotton which they might store has been resulting in a lot more storage of cotton than evidently warehousemen were anticipating at the beginning of the season and the cotton appears to be remaining in the warehouses in larger quantity than was anticipated.

The result is that a great many warehouses are fast reaching their licensed capacity and quite a number of them have already exceeded it and have arranged for the use of other facilities which they in turn have asked to have licensed under the warehouse Act. On the other hand here and there we have noted some licensed warehousemen are resorting to very temporary form of storage and still continuing to receive cotton. This last Spring we made a ruling that a licensed warehouseman would have to operate all of his cotton warehouse operations in any one town under the warehouse Act. In other words a warehouseman is not permitted any longer to operate partly licensed and partly not licensed. In light then of that ruling if licensed warehousemen are going to receive cotton in excess of their licensed storage capacity they must either have their licenses amended so as to increase the capacity of the house already under license, or if they are going to store cotton in other space the license must be extended so as to include such other space. Under no circumstances can we condone the placing of cotton in the open or anywhere where it will not be adequately protected.

The 12¢ cotton loan is made through the Commodity Credit Corporation. That corporation and its regional offices have been furnished with a list of licensed warehousemen. They understand our requirements. They have a right to expect that every licensed warehouseman is operating in conformity with those requirements. They have taken the receipts of licensed warehousemen without question. The Corporation will not continue to do that if warehousemen do not operate in conformity with the Department's requirements.

Every warehouseman who has dealings with the Commodity Credit Corporation knows that in connection with these loans he must sign a warehouseman's certificate and waiver. In that certificate appears this language: "This cotton is in existence,

is undamaged, and is and will be kept under cover within a structire enclosed in such a manner that the cotton is adequately protected from weather damage."

Last year certain non-licensed warehousemen accepted cotton for Commodity Credit loans and placed it in the open or stored it under conditions which did not adequately protect the cotton. The result was that the Commodity Credit Corporation moved almost 200,000 bales from such warehousemen to proper storage. I have just talked with a responsible official of the Commodity Credit Corporation on this subject and he tells me that they will be less charitable this year than last year, and if cotton is found stored in the open or under some temporary arrangement which will be liable to subject the cotton to weather damage that they will promptly ship such cotton to some warehouseman who can adequately care for it.

I am bringing this matter to the attention of all licensed warehousemen because, first, under the Department's rule all operations of licensed warehousemen in any one town must be under the Act; second, that the Department does not want any licensed warehouseman resorting to warehousing which is liable to result in damage and subsequent claims. I give each and every one of you fair warning now that in my opinion the Government will not be charitable with a warehouseman who stores any of this 12¢ loan cotton in a manner which will result in damage.

Almost invariably if a warehouseman's regular warehouse is filled or about to be filled he can arrange to temporarily lease some other space and to meet the emergency. We will make every effort to render service. I am going to count on the individual cooperation of every Federally licensed warehouseman to help us make a record with the various Governmental financing agencies to the effect that a Federally licensed warehouseman can be relied upon 100% and that his receipts can be taken without question. You men have just as much at stake or more than the Department has in this matter.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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U. S. Department of Agriculture

May 27, 1935

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

On certain occasions in the past this office has issued memoranda to licensed cotton warehousemen cautioning them about storing cotton in the open, even though such cotton is placed on dunnage and tarpaulin thrown over the cotton to protect it against weather damage. We have insisted that under no conditions should a licensed warehouse receipt be issued for such cotton. We have also complained about storing cotton in tents. The position of this office always has been that a licensed warehouseman should store cotton only in his licensed warehouse. We have looked with disfavor upon any licensed warehouseman placing cotton in the open or under tents and issuing therefor an unlicensed warehouse receipt. Our positions in the past were founded upon a feeling that such method of storage was an open invitation to trouble and loss on the part of the warehouseman.

Experiences during the past season have more than justified our feeling. We are therefore writing to advise all Federally licensed cotton warehousemen that hereafter a Federally licensed warehouseman will be expected to place all his warehouses at any one point or location, town or city, under Federal license; that when his licensed space is about to be filled or is filled he should arrange for other proper warehouse facilities or refuse to accept further cotton for storage; and that under no conditions shall he accept cotton for storage and then place it in the open or under tents even though he may issue an unlicensed receipt therefor.

Another subject: During the past three years or more there has sprung up in the Mississippi Valley a practice of operating so-called "receiving" or "substations" on the part of licensed warehousemen. These stations are merely temporary facilities operated for the purpose of receiving cotton from farmers from which points the cotton is transported to the licensed warehouseman's warehouse for permanent storage. In connection with these operations we have found warehousemen to be issuing in some instances weight certificates, in others a form of nonlicensed warehouse receipt, and in still others a licensed warehouse receipt. Where the weight certificate or the nonlicensed receipt is issued, as a general rule,

it contains a provision that upon the return of such weight certificate or receipt, after the cotton has reached the licensed warehouse, a licensed warehouse receipt will be issued for such cotton. The operation of substations or receiving stations as outlined herein has proven a source of considerable trouble to the Department and will sooner or later prove embarrassing to warehousemen. Confusion almost invariably results in the warehouseman's records and the system where practiced has resulted in unnecessarily complicating and prolonging our examination of licensed warehouses. Moreover, it makes for unsound warehousing practices. In a number of instances, despite the fact that the weight certificate is in no sense a warehouse receipt, farmers have been known to actually hypothecate these certificates with banks.

We are therefore writing warehousemen at this time to advise that the Department looks with disfavor upon the operation of substations or receiving stations and that it cannot tolerate such operations on the part of Federally licensed warehousemen. The matter is brought to your attention at this time so that your plans for the coming season will not be predicated on the operation of such stations.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U.S. Warehouse Act.

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U. S. Department of Agriculture

July 22, 1935

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

Under the Cotton Warehouse Regulations a warehouseman is obliged to insure for its full value cotton against loss or damage by fire or lightning when requested by the depositor in writing to insure. Heretofore the Department has not required any specific form of insurance coverage. Many of the warehousemen have been carrying what is known as specific insurance. In fact, there was no other form that they could secure until a year or so ago when a reporting form of coverage, the rates of which were based on classification of warehouses was made available.

For some years the Department has recognized that the specific form of policy might not always give the protection called for when fully insured receipts were issued by the warehouseman. It has therefore been endeavoring for some time to get insurance underwriters to issue a form of policy known as "Reporting Coverage" similar to that made available a year or two ago but with the rate to be based upon specific insurance rates or rates comparable thereto rather than upon so-called shipper or marine classifications.

We have at last succeeded in having two groups of underwriters, which together represent about 170 different companies, as well as the Southeastern Underwriters Association, make available to licensed cotton warehousemen a reporting form of coverage which we think will meet the need. This coverage will be based on specific rates.

This coverage insures the cotton against loss or damage by fire or lightning when an insured receipt is issued and will continue in effect so long as such insured receipt remains outstanding; or in other words, so long as the cotton is in the legal custody of the warehouseman. Provision has also been made for insuring against flood damage. All that the warehouseman will need do is request that a special rider be attached to the policy to cover flood damage.

Under this form of insurance it will be necessary for the warehousemen to submit reports to the underwriters as called for in the policy and copies of those reports should also be submitted to the regional office of the Warehouse Act Administration with which you ordinarily do business.

Each warehouseman is permitted to select any company which

will issue a reporting form of coverage in line with a form which we can approve and to place his insurance through his own local agent.

To meet the situation Regulation 5, Section 1, Paragraphs 1 and 2 of the Cotton Warehouse Regulations have been amended effective July 18, 1935 to read as follows:

"Paragraph 1. When requested in writing by the depositor of cotton in a licensed warehouse, or by the holder of the receipt covering such cotton, to insure such cotton against loss or damage by fire, lightning, and/or flood, each licensed warehouseman shall secure in his own name such insurance under reporting forms of policies which automatically attach for the full value of such cotton, including daily changes of value through market fluctuations and changes in the quantity of such product from day to day, as soon as such cotton is placed in his legal custody, and he shall continue such insurance in effect so long as the cotton remains in his legal custody. Such insurance shall be covered by lawful policies issued by one or more insurance companies authorized to do such business, and subject to service of process in suits brought, in the State where the warehouse is located. Each warehouseman insuring cotton under the provisions of this section shall submit such reports to underwriters as may be required under the terms of such policies, and copies of such reports shall be submitted to the Department as it may require. If the warehouseman is unable to procure insurance to the extent requested, he shall, orally or by telegraph or by telephone, and at his own expense, immediately notify the person making the request of such fact. When insurance is not carried in the warehouseman's name, the receipt shall show that the cotton is not insured by the warehouseman. Nothing in this section shall be construed to prevent a licensed warehouseman from adopting a rule that he will insure all cotton stored in his warehouse, but if he elects to insure he shall accomplish such insurance through policies as above specified."

"Paragraph 2. Each warehouseman shall keep exposed conspicuously in the place prescribed by regulation 2, section 4, and at such other place as the chief of the bureau or his representative may from time to time designate, a notice, stating briefly the conditions under which the cotton will be insured against loss or damage by fire, lightning, and/or flood."

We are not insistent that insurance shall be placed with any one company or group of companies but it must be placed with responsible underwriters who are authorized to do business in the State in which the warehouse is located and who have agents in the State upon whom legal process can be served in event of suits. Under the Regulations we can no longer permit the specific form of coverage but warehousemen must secure what is known as the Reporting Form which will provide for automatically attaching the moment the cotton is placed in the warehouseman's legal custody and will remain in effect until such custody ceases.

We believe this form of insurance is a forward step in the distinct interests of the warehouseman and depositors and should add to the value of the receipts for collateral purposes. All companies which write the Reporting Form of coverage will be in a position to issue a certificate which should satisfy any banker to whom a fully insured receipt is presented for loan purposes.

The two groups of underwriters to whom we referred are known as the Cotton Insurance Association, which has affiliated with it about 130 companies, and the Cotton Fire and Marine Underwriters, which has about 40 companies. Forms of policies which either of these two groups will issue are acceptable. It is suggested that you inquire of your agent whether the companies with which he places the insurance are members of either of these organizations. If not, then the form of policy which the company with which he proposes to place the insurance will issue should be first submitted to us for consideration. In all other respects the regulations remain unchanged.

Very truly yours,

H S Yohe

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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August 1, 1935.

MEMORANDUM TO LICENSED COTTON WAREHOUSEMEN

Referring to my memorandum of July 22, regarding insurance, and particularly that part of the amended regulations which provides that each warehouseman shall submit such reports to the underwriters as they may require and to the Department as it may require, you are now advised that at the time you arrange with an insurance company for the necessary coverage, you should also arrange with it to furnish you with sufficient forms on which to submit daily reports so that you can submit a copy of such report to our district office through which you ordinarily handle matters. This means that in the case of warehousemen located in Virginia, North and South Carolina, that the reports should be submitted to Mr. W. R. Windes, P. O. Box 336, Raleigh, N. C. Warehousemen located in Georgia, Florida, Alabama, Mississippi, and Tennessee should submit copies of their reports to Mr. F. G. Crout, P.O. Box 4749, Atlanta, Georgia. Cotton warehousemen west of the Mississippi River, including the entire State of Louisiana, should submit their reports to Mr. R. L. Newton, 522 Federal Building, Dallas, Texas.

In this connection, for the convenience of warehousemen and the holders of warehouse receipts which are fully insured, approved underwriters will furnish warehousemen with what is sometimes termed a banker's letter or certificate in which the underwriters certify the amount of insurance they have in effect for the warehouseman. Insurance companies are willing to furnish whatever number of such certificates is necessary both to the warehousemen and their depositors as well as to this Department. The primary purpose of these certificates, of course, is to assist holders of receipts in financing arrangements. Amendments, or riders, to a policy may also be issued from time to time. You are now advised that when you take a policy with any company you should also have the company at once furnish you for our field offices, or furnish direct to our field offices, such certificates and copies of all riders issued to each policy.

A question has been raised as to whether insurance that the warehouseman is carrying on present stocks covered by outstanding receipts must be canceled. The regulations are not intended to disturb existing arrangements but apply to new stocks of cotton and to fully insured warehouse receipts to be issued effective August 1, 1935, and thereafter. It is not necessary that you should cancel policies now in effect, but upon expiration of such policies if the cotton still continues in store it is then to be covered by a reporting form of coverage.

Very truly yours,

H. S. Yohe

H. S. Yohe,
In Charge, Administration
U.S. Warehouse Act.

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June 24, 1936.

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

Gentlemen:

In our memorandum of April 10, 1934, we stated that all sampling of cotton at licensed warehouses should be performed only by the warehousemen or their authorized representatives, and that no one should be admitted to the warehouses except in the presence of the warehouseman or his authorized employees.

Our memorandum of August 10, 1934, amended that memorandum so as to permit sampling and/or weighing on the part of employees of Exchange Inspection Bureaus which function under the United States Cotton Futures Act and the United States Cotton Standards Act.

On March 3, 1927, a law was passed which directed the Secretary of Agriculture to collect and publish statistics relating to the grade and staple length of cotton. Section 3 of that law reads in part as follows:

> "That it shall be the duty of every owner, president, treasurer, secretary, director, or other officer or agent of any cotton warehouse, cotton ginnery, cotton mill, or other place or establishment where cotton is stored, whether conducted as a corporation, firm, limited partnership, or individual, and of any owner or holder of any cotton and of the agents and representatives of any such owner or holder, when requested by the Secretary of Agriculture or by any special agent or other employee of the Department of Agriculture acting under the instructions of said Secretary to furnish completely and correctly, to the best of his knowledge, all of the information concerning the grades and staple length of cotton on hand, and when requested to permit such agent or employee of the Department of Agriculture to examine and classify samples of all such cotton on hand",

and further provides that for any one of the persons above enumerated to refuse or willfully neglect to furnish any part of the information

requested, or who willfully gives answers that are false, or who "shall refuse to allow agents or employees of the Department of Agriculture to examine or classify any cotton in store in any such establishment, * * * shall be guilty of a misdemeanor and upon conviction thereof shall be fined not less than $300 or more than $1,000."

Acting on our memoranda of April 10 and August 10, 1934, a few federally licensed warehousemen apparently have been refusing representatives of the Department operating under the above-quoted Act, access to their warehouses, and have also refused to furnish samples. I am told by those responsible for administering the Act relating to grade and staple estimates that they will not need a sample in excess of four ounces, and that they sample only a certain percentage of the bales in the warehouse. In view of the penalty section of that Act, and the small sample required, so that there may be no misunderstanding on the part of our licensed warehousemen, we now advise that our memoranda of April 10 and August 10, 1934 are hereby amended so as to permit warehousemen to admit representatives of the Department working under the Grade and Staple Estimates Act to the warehouses to draw samples. However, such representatives, in the conduct of their duty in the warehouse, should be accompanied by the warehouseman or his authorized employees.

Very truly yours,

H. S. Yohe

H. S. Yohe
In Charge, Administration
U. S. Warehouse Act.

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

February 15, 1937.

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

In some quarters considerable question has been raised with reference to charges that warehousemen attach to cotton for which they have issued warehouse receipts. Negotiable receipts are frequently bought from their original owners. The question as to the amounts that warehousemen claim as liens against the products represented by the receipts is one of importance to the buyer of such receipts as well as to banks to whom receipts are offered for collateral purposes.

The Act itself requires that the receipts shall indicate the rate of storage charges and "a statement of the amount of advances made and of liabilities incurred for which the warehouseman claims a lien: provided, that if the precise amount of such advances made or of such liabilities incurred be at the time of the issue of the receipt unknown to the warehouseman or his agent who issues it, a statement of the fact that advances have been made or liabilities incurred and the purpose thereof shall be sufficient."

That part of the Act which requires that the rate of storage charges shall appear on the receipt will be satisfied if the receipt shows that a certain rate per month is charged for storage.

There appears to be a tendency on the part of warehousemen to make as short as possible the statement regarding other liens the warehouseman claims for his services. Sometimes receipts do not state anything in the lien column.

The purpose of the wording of the Act above quoted is to give notice that a lien will be claimed by the warehouseman against the goods for certain services. So that receipts may be negotiated when desired it is essential that they should show definitely any liens that have definitely attached to the commodity at the time the warehouse receipts are issued.

In some quarters it is quite common for warehousemen to dray the cotton to the warehouses and make a charge therefor. At other places cotton is shipped to the warehouses by railroad

and the warehouseman advances the freight charges. Clearly drayage and freight charges are known at the time the warehouseman issues the receipts and they should be stated on the receipts. The amount that a cotton merchant can pay for a receipt will depend upon what charges are already attached to the cotton. The drayage charge or freight advance would affect the amount that a merchant would pay for a receipt.

Again the Uniform Warehouse Receipts Act which is in effect in all the cotton producing States but one provides:

> "If a negotiable receipt is issued for goods, the warehouseman shall have no lien thereon, except for charges for storage of those goods subsequent to the date of the receipt, unless the receipt expressly enumerates other charges for which a lien is claimed."

So that there may be no room for argument we wish to urge warehousemen to place on their receipts when issued the exact amount of charges, when known, for which they will claim liens. If a statement is not placed on receipts for amounts of liens that are definitely known at the time the receipt is issued and some question is later raised by the holder of the receipt we may be obliged to rule against the warehouseman.

To care for charges that cannot be foreseen at the time receipts are issued, we suggest printing on receipts following the list of definite charges "and other charges as per published tariff."

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

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☆ JUN 16 1937 ☆
U. S. Department of Agriculture

June 1, 1937.

MEMORANDUM TO LICENSED COTTON WAREHOUSEMEN

Gentlemen:

With the delivery of cotton that was the subject of Commodity Credit Corporation loans quite a number of questions, and in some cases actual disputes, have arisen between purchasers of the cotton and the warehousemen with reference to charges accumulated against the cotton. Questions have also arisen in the past in connection with cotton which was not the subject of such loans. Such questions can be largely obviated if warehousemen will give proper attention to the preparation of their tariffs.

Tariffs should be complete in detail and cover all services rendered. Brevity in a tariff is not the only end to be attained. Definiteness is desirable at all times. It should not be necessary to resort to interpretation of a tariff.

Sometimes tariffs have been filed with us which consisted of nothing more than the mere statement, "Storage 25¢ per month or fraction thereof." We have reason to believe in some of these cases the warehousemen contemplated such a statement to cover storage only. He had not taken into consideration insurance, weighing, sampling, grading, reweighing, resampling, or delivery charges, yet expected to make charges for such services.

A depositor of cotton in a public warehouse, and especially one licensed under the Warehouse Act, is entitled to know in advance of depositing his cotton what charges will be made against it. The holder of a warehouse receipt, whether he be the depositor, one who has acquired it through purchase, or a banker is entitled to know all the items that are likely to be charged against the receipt.

Unless tariffs give this information or all the charges are recited on the receipt, warehousemen are likely to find themselves unable to make any additional charges.

In connection with Commodity Credit Corporation loans special contracts were made by some warehousemen on such cotton. It is expected that warehousemen's tariffs will reflect such

special contracts. A warehouseman is not permitted to make a special contract with one depositor and not extend the same terms to some other depositor. If a tariff makes no provision for special contracts, before making any special contract a warehouseman is expected to submit his proposed change in his tariff to us for approval. After it has been approved it is then expected that he will amend his tariff by posting the terms of the special contract with his tariff.

If a warehouseman picks up or delivers cotton and intends to make a charge for such services he is expected to indicate the charges in his tariff.

Any special rules that a warehouseman adopts in connection with the conduct of his warehouse should be incorporated in the tariff and publicly posted with it.

All tariffs should be dated and indicate clearly when they become effective. They should also be signed by a proper official of the company, filed in duplicate with our district supervisors and publicly posted at the warehouse, as prescribed by the cotton warehouse regulations.

Necessity sometimes dictates a change in tariff during a crop year. Changes are permitted, but before they become effective the proposed changes should be filed with this office for consideration.

No change in tariff may be made applicable to outstanding receipts unless the charge is lowered.

In this connection your attention is called to our memorandum of February 15, 1937. We think a careful reading of that memorandum will suggest to you that this memorandum is dictated in the interests of the warehousemen and we hope every licensed warehouseman will give it careful consideration.

We urge you to compile your proposed tariff for the coming year as early as possible, and to file a copy with our district supervisors not later than July 1. Do not prepare it in final or printed form until we advise you of its acceptability.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

SEP 2

September 1, 1937.

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

Gentlemen:

On June 1, 1937, we called attention to the desirability of licensed warehousemen giving careful consideration to the preparation of their tariffs and the early submission of such tariffs to us for consideration before printing.

It is with regret that we note that many warehousemen printed their tariffs before ever submitting them to us. In some of these tariffs we find items which we cannot approve.

At this particular time we wish again to direct attention to that part of our memorandum of June 1 which related to special contracts. We indicated that tariffs should reflect such special contracts, if any existed. We further advised at that time that a warehouseman is not permitted to make a special contract with one depositor and not extend the same terms of that contract to other depositors.

We now call your attention to Section 13 of the Act which requires a warehouseman to receive cotton tendered in storable condition without discrimination between persons desiring to avail themselves of the warehouse facilities. That section means that no form of discrimination among patrons may be practiced, whether it be in character of facilities afforded or preferential treatment or in the matter of rates.

In the past we have approved so-called "Quantity Rates", that is, a special rate where a depositor offered a certain quantity but we particularly pointed out in each instance that each and every other depositor who offered cotton on the same conditions must be given the same rate. There must be no discrimination among depositors regardless of who they may be.

We also now call your attention to Regulation 5, Section 7, of the Cotton Warehouse Regulations which provides that rates may not be unreasonable or exorbitant for services rendered; that a schedule of charges shall be filed with the Department before a warehouseman is licensed, and if any change is made in rules or charges the warehouseman must file a copy with this Bureau of the proposed change and a statement of reasons therefor.

Too frequently changes are made and not even mentioned to the Bureau. Again frequently a request is filed with the Bureau relating to a proposed change in tariff but no reasons submitted for the change.

Since the Act itself prohibits an unreasonable or exorbitant charge, we must ask that when changes in tariffs which have been accepted are to be made, before making the proposed change a definite statement of reasons therefor should be submitted.

Unless this course is followed, and questions are raised regarding a warehouseman's charges at the time delivery is made, we may be obliged to rule against the warehouseman.

Very truly yours,

H. S. Yohe
In Charge, Administration
U. S. Warehouse Act.

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

September 15, 1937.

TO LICENSED COTTON WAREHOUSEMEN

Gentlemen:

Latest reports indicate a large cotton crop. This will probably mean a need for more storage space at certain points.

Your attention is directed to this prospect so that as Federally licensed warehousemen you may be prepared to accomodate your patrons with ample storage facilities. It is suggested you make a survey of the prospects within your territory at once. If it appears more storage will be needed, arrange for it, but do not ask us to authorize you to store cotton in the open or in sheds that we cannot approve. Neither can we sanction the issuance of non-licensed receipts. We call your attention to our position on this subject as reflected in our memoranda of November 10, 1934, and May 27, 1935.

At this same time it also seems advisable to caution all cotton warehousemen to exercise the greatest possible care in weighing cotton, particularly so-called "green" cotton or cotton that is damp or shows evidence of excess moisture.

In connection with past Commodity Credit loan cotton, many claims have been filed by the C.C.C. against warehousemen for damage to cotton allegedly due to the warehouseman and also because of excess loss in weight. Cotton that is damaged should not be receipted until it has been properly conditioned. Cotton that is "green" or contains excess moisture should not be receipted until it has been properly dried. If the depositor insists on an immediate receipt, a proper deduction should be made from the gross weight, such deduction shown on the receipt, and under the heading "Condition" a proper statement should be made so as to reflect the condition of the cotton.

We again urge all warehousemen to make certain their scales are accurate, function properly, and that their weighers are properly instructed.

Very truly yours,

H S Yohe

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

October 8, 1937.

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

As we advised you on September 29, the Commodity Credit Corporation requires warehousemen to guarantee the grade and staple of cotton stored with any warehouseman which is the subject of a C.C.C. loan. This means you will be obliged to arrange for some one to grade and staple the cotton who is competent to do so in accordance with the official standards.

So that our records may show who will perform such service for each warehouseman we are obliged to ask you to have the person who will grade for you submit immediately a statement showing:

1. His age.
2. Number of years he has been grading.
3. Number of bales graded during each of last five years.
4. By whom he is at present employed, if any one, besides yourself.
5. Whether he has a set of the official standards available at all times for his use.
6. The names and addresses of five persons who can vouch for his competency, integrity and character.

Please have this information submitted without delay as this is vital to your own protection as a licensed warehouseman.

In conclusion, let me again caution you to examine each bale of cotton carefully for condition and excess moisture. We mentioned this in our memorandum of September 15. I am informed the Commodity Credit Corporation will also issue a memorandum on this subject. Of course, we want to see all federally licensed warehousemen come through with a clean slate and not be the subject of claims when C.C.C. loans are finally settled.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

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☆ JUL 19 1938 ☆
U. S. Department of Agriculture

July 5, 1938

MEMORANDUM TO LICENSED COTTON WAREHOUSEMEN

Gentlemen:

The Agricultural Adjustment Act of 1938, section 383 (b), reads "Cotton held as security for any loan heretofore or hereafter made or arranged for by the Commodity Credit Corporation shall not hereafter be reconcentrated without the written consent of the producer or borrower."

The Congress which has just adjourned passed a bill which modifies this section of the Act. The bill in question reads

> "That in the administration of section 383 (b) of the Agricultural Adjustment Act of 1938 the written consent of the producer or borrower to the reconcentration of any cotton held as security for any loan heretofore or hereafter made or arranged for by the Commodity Credit Corporation shall not be deemed to have been given unless such consent shall have been given in an instrument made solely for that purpose. Notwithstanding any provision of any loan agreement heretofore made, no cotton held under any such agreement as security for any such loan shall be moved from one warehouse to another unless the written consent of the producer or borrower shall have been obtained in a separate instrument given solely for that purpose, as required by this Act. The giving of written consent for the reconcentration of cotton shall not be made a condition upon the making of any loan hereafter made or arranged for by the Commodity Credit Corporation.
>
> "Provided, however, That in cases where there is congestion and lack of storage facilities, and the local warehouse certifies such fact and requests the Commodity Credit Corporation to move the cotton for reconcentration to some other point, or when the Commodity Credit Corporation determines such loan cotton is improperly warehoused and subject to damage, or if uninsured, or if any of the terms of the loan agreement are violated, or if carrying charges are substantially in excess of the average of carrying charges available elsewhere, and the local warehouse,

after notice, declines to reduce such charges, such written consent as provided in this amendment need not be obtained; and consent to movement under any of the conditions of this proviso may be required in future loan agreements."

Since practically all Federally licensed warehousemen have handled Commodity Credit Corporation cotton and since the question of reconcentration has been quite annoying to warehousemen from time to time, especially following the introduction of various bills at the last session of Congress which related to reconcentration, it occurred to me that each and every licensed warehouseman would like to know just what Congress did on this particular subject before it adjourned.

Very truly yours,

H. S. Yohe
In Charge, Administration
U. S. Warehouse Act.

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

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SEP 29 1938
U. S. Department of Agriculture

September 15, 1938

MEMORANDUM TO FEDERALLY LICENSED COTTON WAREHOUSEMEN

Gentlemen:

The Commodity Credit Corporation has indicated in connection with cotton loans that may be made by it this year, that it will accept warehouse receipts issued by federally licensed warehousemen without question and without requiring any additional bond. They have further indicated with respect to grade and staple determination requirements that if such grade and staple is stated on federally licensed receipts that would be acceptable; otherwise, the grade will have to be determined by classers licensed under the Cotton Standards Act or by Boards of Cotton Examiners of the Department. In either of these two latter cases the certificates indicating grade and staple will have to be issued to support each loan.

Since the Commodity Credit Corporation will accept the federal receipt with the grade and staple stated thereon withou further requirements, we are writing to urge each and every federally licensed warehouseman to have at least one, and more if necessary, competent man connected with his warehouse to grade and staple cotton. Unless you already have a licensed classer under the Warehouse Act to serve your warehouse, you should at once furnish our district supervisor who serves your territory with the name, address, present connection, previous experience and age of the person whom you will use to grade and staple cotton.

We urge in this connection the desirability of licensing such men under the Warehouse Act. If for no other reason than for your own protection, we believe that anyone who is licensed under the Act, when he recognizes the responsibilities imposed upon him and the penalties that attach to his work, will give you just that much better service and will be most careful in his work.

In this connection we want to suggest to you that the Commodity Credit Corporation will expect that the cotton measures up to the grade and staple that may appear on the warehouse receipt, hence the need for employing none but men who are thoroughly competent to grade in line with the official cotton standards.

Whether the man that you may engage for this classing work wishes a license or not under the Warehouse Act, we suggest you have him furnish the information called for on the attached application form for license and file this with the regional supervisors. If it is not intended that he shall secure a license, then indicate at the top of the form that license is not desired.

In this connection we want to urge on every warehouseman whether he has his classer licensed or not that he require each and every person who does grade for him to issue a certificate to him, which certificate the warehouseman should keep on file until the cotton in question leaves his warehouse. You will need this for your further protection in the event some question should be raised regarding the grade and staple.

In writing you on this subject please understand we are trying to protect your interests and at the same time aiming to place the federally licensed warehouseman on a still higher plane.

As you probably know the Commodity Credit Corporation this year recognizes only federally licensed warehousemen and warehousemen approved by Commodity Credit Corporation agents. Approval is not automatically granted to warehousemen who hold State licenses. They are required to furnish bond just the same as other warehousemen who do not operate under the State Acts. The Corporation has imposed higher asset and bond requirements, both minimum and maximum, on warehousemen not operating under the Federal Act. This, we believe, has been done in the light of experience. You will recognize that the federal warehouseman has a distinct advantage this year.

We want to live up to the record that resulted in that advantage, and we are therefore urging the warehousemen along the above lines so as to protect their interests and at the same time to advance still further the cause of federally licensed warehousemen.

We hope you will give this letter serious and prompt consideration and have applications filed at once so that they may be given proper consideration on our part.

Very truly yours,

H. S. Yohe
In Charge, Administration
U. S. Warehouse Act

Enclosure

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C

JUL 18 1939
U. S. Department of Agriculture

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June 27, 1939.

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

Gentlemen:

This memorandum comes to you in advance of the 1939-1940 cotton season. It is dictated by complaints we have received in the last year from certain quarters regarding excessive sampling and loss of weight of cotton. We understand, of course, that the owner of a product contends he has a right to have it sampled as many times and to demand as large samples as he pleases. That is correct so long as the cotton is not covered by a warehouse receipt. But after a negotiable receipt has been issued, no one has a right thereafter to draw samples from that bale except upon order of the receipt holder.

The warehousemen themselves have obligations in this connection, and they should see to it that the receipt holders are protected; otherwise, they may be called upon to make good differences in weight shown on the warehouse receipt as compared to actual weight on delivery.

With a view to enabling the warehousemen to take a definite stand and protect themselves and the receipt holders, we now want to suggest to every licensed warehouseman the following:

1. If more than one sample is drawn at the time the cotton is received, a charge for each extra sample should be made in accordance with the tariff. Most warehousemen's tariffs provide for drawing a sample at the time the cotton is received and include that cost in the first month's storage. However, if the depositor wants two or more samples drawn at the time the cotton is received, or samples in excess of the prescribed size, the samples should be drawn before the cotton is weighed and the receipt issued. If drawn after the cotton is weighed, a charge should be made for each and every sample in excess of the first sample, and if more than two samples are drawn, the warehouseman should insist that the cotton should be re-weighed and a new receipt issued therefor.

2. If two samples are drawn at the time the cotton is received, a charge for one sample should be made. If three samples, a charge for two, and so forth. This, of course, is predicated on the assumption that the first sample charge is included in the first month's storage.

3. If you are requested to sample the bale sometime after it is received, a charge should be made for each and every sample drawn in accordance with your tariff.

4. If double samples are to be drawn, a double sampling charge should be made.

5. The size of a sample should not be in excess of 12 ounces, and 8 ounces would be more nearly in keeping with what is generally required. As a matter of fact, 4 ounces is sufficient.

6. Every licensed warehouseman will be expected to keep a record showing the number of samples drawn from each bale. In other words, a per bale record should be kept and this information should be available to all interested parties.

7. Your tariff should incorporate a specific charge for sampling in accordance with the above outline.

The Department intends to be more strict in this matter of sampling and weighing of cotton than it has been in the past. Hence, this warning.

In the event any holder of a receipt insists upon having his cotton sampled more than once after the cotton has been originally sampled by the warehouseman and a receipt issued therefor, you may advise him that it is contrary to Department regulations to draw more than one sample without the return of the receipt. Instances have come to our attention where as many as five and six samples were ordered drawn long after the receipts had been issued by the warehouseman and were in channels of circulation. The depositor has no right to request such samples when the receipts are outstanding, and we must insist that any depositors that make such requests shall return to the warehouseman the original receipts for cancellation prior to drawing the samples, and after the samples have been drawn, the cotton shall be reweighed and a new receipt issued therefor on the basis of the reweight.

Every warehouseman knows that if a bale of cotton is sampled several times, that bale is bound to lose in weight from natural shrinkage. It loses not only the weight of the samples, but there is an invisible loss through evaporation. The warehouseman is almost invariably charged with the loss. The best way to protect himself is to follow the procedure above outlined.

In this connection, we urge all warehousemen to immediately prepare their tariffs for the coming year. In preparing those tariffs, they should give careful consideration to see to it that they are clearly worded and that they include therein a charge for sampling, resampling, and reweighing, so there may be no question as to their right to make such charges.

More care should be given to the wording of tariffs. It is quite apparent that with various Government agencies coming into possession of cotton in licensed warehouses, the Government will resolve any doubt as to authority to make a charge against the warehouseman. You are therefore urged to be doubly careful in the preparation of your tariffs this year, making sure that they are plain, definite, and comprehensive.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE
WASHINGTON, D. C.

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November 29, 1939.

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U. S. Department of Agriculture

MEMORANDUM FOR LICENSED COTTON WAREHOUSEMEN

Dear Sir:

In view of the fact that the Commodity Credit Corporation has issued instructions that all cotton that is subject to the 1939 cotton loan must be graded by Classers of the Department and that it will require certificates issued by these Classers, we think that federally licensed warehousemen would be justified in taking the position that all persons who deposit cotton with them for purposes of the loan request that the warehouseman should not grade the cotton. The warehouseman should, therefore, state on their receipts, in the place provided for stating grade and staple the following: "Not graded on request of depositor". Under no circumstance should you permit receipts to leave your possession without placing such a statement thereon, except in cases where the depositor indicates he is not placing his cotton in the loan. In this latter case if such a depositor requests omission of grade from his receipt you are authorized to omit it.

According to instructions of the Commodity Credit Corporation, loans are to be made on the basis of the net weight of the cotton. The instructions provide a schedule of generally accepted tare covering accepted types of bagging. Net weight should also take into consideration the condition of the cotton, giving special attention to excess moisture. The procedure to be followed in the determination of grade by the Board of Cotton Examiners will give warehousemen ample time to determine the condition of the cotton while awaiting returns on grade and staple. If evidence appears that the cotton contains excess moisture it should be thoroughly conditioned before weight is determined and inserted in the warehouse receipts. We urge all warehousemen to pay special attention to weight for the net weight features are apt to inject new difficulties with possibilities of more claims for loss in weight than ever. Warehousemen owe it to themselves to see that the cotton is in proper storable condition and does not contain excess moisture before they issue their receipts with weights thereon.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE
Washington, D. C.

December 29, 1939.

MEMORANDUM FOR FEDERALLY LICENSED COTTON WAREHOUSEMEN.

Gentlemen:

Because of the fact that many cotton shippers carry their own insurance, we felt that the form of coverage that has been issued by the Underwriters to licensed cotton warehousemen this year should be amended in that Section 5 of the present form provides that if there is other insurance the coverage issued to the warehouseman shall be of no effect. After considerable correspondence it has been agreed by the Underwriters that this Section 5 should be amended by striking out the words "or owner" and adding to that Section the following wording:

> "It is also understood and agreed that if at the time of any loss or damage to cotton covered in whole or in part by other insurance which this Company contends should pay or participate in the payment of said loss and such other insurers refuse so to do, then this Company (provided always the loss shall constitute in other respects a claim under this policy), will advance as a loan, without interest, the amount for which it would have been liable if such other insurance had not been taken out, the repayment thereof to be conditioned upon and only to the extent of any recovery from such other insurers."

This, of course, will be done by an endorsement to existing policies. Will you please see to it that you are furnished with an endorsement in line with the above suggestions?

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE
WASHINGTON, D. C.

March 16, 1940.

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MEMORANDUM FOR LICENSED WAREHOUSEMEN

Gentlemen:

The purpose of this memorandum is to inform you that almost without exception warehouse receipts and certificates will cost more this year than they did last year. The increase will not be very great but there will be some increase. This is due to increased cost in printing. You, of course, know the effect of the National Labor Relations Act. It has resulted in increased wage costs to a great many manufacturers, as it probably has to most of you. Costs of raw paper stocks this year increased about 25%. There will not be any such percentage increase in the cost of receipts, however.

In this connection you will please understand that we invited bids from both manufacturers of paper and various responsible printers and lithographers in different parts of the country to bid on both the furnishing of the paper and the preparation of receipts. The paper contract this year was awarded to another manufacturer because the bid submitted by last year's manufacturer was at least 1¢ per pound higher than that which we accepted. Even the bonded printer that we have used these many years has been obliged to increase his rates due to increased costs of both paper stock and his own costs. In looking over the various bids, many of which were submitted by printers who submitted bids heretofore, we noticed that there was a substantial increase in the bids as compared to bids by the same printers several years ago when we had the question of a contract opened up to bidding.

We are sending this advice to you now so that when you receive your invoices for new supplies you will not be taken by surprise due to the higher prices as compared to last year.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

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★ MAY 31 1940 ★
U.S. Department of Agriculture

May 17, 1940.

MEMORANDUM TO LICENSED COTTON WAREHOUSEMEN

Gentlemen:

As many of you know, for the past several years we have been having discussions with insurance underwriters relating to forms of policies for Federally licensed cotton warehousemen. We will shortly have another discussion to make arrangements for the coming season. The form of policy that we have had in the past has been far from satisfactory. Many of you who attended the meeting of either the Carolinas Cotton Warehousemen's Association or the National Cotton Compress and Cotton Warehousemen's Association this year will recall that a representative of one of the leading underwriting associations made talks at both these meetings and that the subject of insurance was on the firing line.

Much that has been said with respect to fire insurance does not apply to Federally licensed warehousemen in that it can be concretely demonstrated that Federally licensed warehousemen are a much more preferred risk to the rank and file of non-Federally licensed warehousemen. So that we may be prepared to meet the underwriters statistically, at least, we are writing to ask each of you to submit as soon as possible, and preferably not later than May 25, a statement of your fire losses during the past ten years, if you have had any. That statement should show the following:

(1) The month and year of the loss.
(2) The number of bales on hand at the time of the fire.
(3) The number of bales damaged or destroyed in the fire.
(4) The amount of salvage, if any, from the damaged bales.
(5) The approximate total number of bales handled during the ten-year period.
(6) Was the plant sprinklered or non-sprinklered?
(7) If you sustained a loss, indicate cause, if known.
(8) What kind of insurance were you carrying? (Specific or Reporting?)
(9) Was settlement accomplished promptly and satisfactorily?
(10) List any suggestions you may care to make to be included in coverage.

We understand we are reported by certain insurance interests as agreeing with them that warehousemen should not issue insured receipts. We emphatically state that we do not share that view. This Department for years has urged warehousemen to issue insured receipts if for no

other reason than for their own protection. Present forms of coverage may not afford the desired protection, but the remedy is not in abandoning the idea entirely but rather in securing coverage that will adequately protect all interests.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE
WASHINGTON, D. C.

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★ JUN 25 1940 ★
U.S. Department of Agriculture

June 10, 1940.

MEMORANDUM TO LICENSED COTTON WAREHOUSEMEN.

Gentlemen:

On May 17 we sent you a memorandum asking for certain information regarding your experience in the way of fire losses. At this writing we have apparently received no reply from you. In our May 17th letter we asked the following questions:

(1) The month and year of the loss.
(2) The number of bales on hand at the time of the fire.
(3) The number of bales damaged or destroyed in the fire.
(4) The amount of salvage, if any, from the damaged bales.
(5) The approximate total number of bales handled during the ten-year period.
(6) Was the plant sprinklered or non-sprinklered?
(7) If you sustained a loss, indicate cause, if known.
(8) What kind of insurance were you carrying? (Specific or Reporting?)
(9) Was settlement accomplished promptly and satisfactorily?
(10) List any suggestions you may care to make to be included in coverage.

So that we may complete our study and arrange the data to present to the Underwriters and also to enable us to argue for a more liberal form of coverage and perhaps at better rates, won't you please let us have information on the above ten points by return mail?

The enclosed envelope which requires no postage may be used for reply. We should have your answer not later than June 20.

Very truly yours,

H. S. Yohe,
In Charge, Administration
U. S. Warehouse Act.

Enclosure.